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Bahrain	Da 1650	Italy	... 1100	Portugal	Ext 65
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Canada	Can 15	Korea	14500	Singapore	S 3 10
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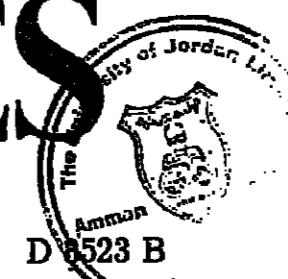
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FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

Tuesday February 1 1983

Wall St prices:
full listings,
Pages 24-26



24/7/83

NEWS SUMMARY

GENERAL

Reagan proposes N-missile ban

President Reagan proposed in an open letter to Soviet leader Yuri Andropov that they meet to sign an agreement banning all U.S. and Soviet intermediate land-based missiles. Vice President George Bush announced last night in Berlin.

This was part of Mr Bush's bid to win back European public opinion, particularly in West Germany, over the nuclear arms issue.

Mr Bush said Washington had been consistently ready over the years to negotiate on arms control, while Moscow had stalled. "The United States has maintained a decade-long de facto freeze during the time the Soviet Union pursued a vigorous military build-up he said.

Page 14

Martens survives

Belgian Prime Minister Wilfried Martens' Centre-Right coalition emerged intact after 18 hours of talks spanning three days, but battered by growing regional and language-group tensions. Page 14

Lebanon: Round 11

U.S., Lebanese and Israeli negotiators met south of Beirut for the 11th round of talks on Israeli withdrawal from Lebanon. Palestinian officials will meet today in Damascus to discuss the situation in Israeli-occupied West Bank and Gaza strip.

Shcharansky 'grave'

Soviet dissident leader Anatoly Shcharansky is in "very grave" condition in prison, his mother is quoted as saying.

Mengele 'sighted'

Auschwitz doctor Josef Mengele has been identified living with a Mennonite religious group in north Paraguay. Nazi-hunter Simon Wiesenthal said.

Kampuchea flee

Vietnam launched a major assault on the biggest refugee camp on the Thai-Kampuchean border, sending thousands of Kampuchean fleeing into Thailand. Page 6

Navon challenge

Israel's President Yitzhak Navon will not seek a second five-year term, opening the way for his possible return to politics to challenge Premier Menahem Begin's ruling Likud bloc. Page 6

Buthelezi warns

Chief Gatscha Buthelezi, South African black leader, left for the United States to warn politicians that South Africa's proposed constitutional reforms would lead to violence.

Colombia kidnap

Colombian guerrillas kidnapped two cattle-breeders and the wife of a local politician, a military officer said.

Blow-out problem

Pipeline workers in Hungary failed to bring a gas-well blow-out under control.

Greenland campaign

Premier Jonathan Motzfeldt is to tour Europe with the message that Greenlanders do not kill baby seals, in an attempt to halt the fall in sealskin prices.

Briefly . . .

Czech lieutenant-colonel asked for asylum in West Germany.

Naples: Prison officer was shot dead after leaving work.

Three Tanzanian soldiers were shot dead, and three injured, in an anti-bush

BUSINESS

Pound at new low in London against \$

BY ANATOLE KALETSKY IN WASHINGTON

President Ronald Reagan formally presented his 1984 budget to Congress yesterday, calling for a sweeping austerity programme which would cut almost every aspect of U.S. government spending except defence, which will continue to grow at a rate of 9 per cent a year real terms.

The budget will increase taxes on personal incomes, payrolls, energy and medical benefits in the next two years.

Despite these budget measures, however, the detailed projections officially made public yesterday make it clear that the President does not intend to reduce the underlying gap between government revenues and expenditures towards the level which was typical in the 1960s, before the inflationary surge of the last decade.

Even by 1984, after six years of sustained economic growth, the U.S. government's total borrowing requirement would be equal to 2.8 per cent of gross national product and would absorb 38 per cent of the private sector's net savings if Congress implemented fully the plan presented yesterday.

Although the President was widely praised in Congress for his unusually cautious and realistic assessments of the country's economic prospects, congressional leaders predicted fierce battles over his proposal to raise taxes before 1984, until an economic recovery was well under way.

Congressmen, who were briefed

on the budget last Friday but received full details only on Sunday night, are also likely to become concerned about the persistence of the underlying "structural" deficits in the President's plans.

Although the government's total deficit is due to be reduced from \$225bn in 1983 to \$126bn in 1988, the budget document contains a new analysis distinguishing the elements of the deficit due to recession from the "structural" deficit which is due to a permanent imbalance between government spending and revenues.

This analysis suggests that, even after all the new measures in the 1984 budget, the "structural" deficit would be reduced by only by \$20bn in the next five years - from \$135bn in 1984 to \$115bn in 1988.

This would require growth between 5 and 5.5 per cent a year, Mr Regan said.

Mr Feldstein said, however, that the budget forecast of 3.1 per cent growth between the fourth quarters of 1982 and 1983, followed by an average of 4 per cent growth in the later years was "prudent, credible

Continued on Page 14

Details, Page 4; Lex, Page 14;

Market reaction, Page 23

Nigeria under pressure to reduce oil price

BY QUENTIN PEEL IN LAGOS

• WALL STREET: Dow Jones index closed 19.35 up at 1075.70. Page 23

• TOKYO: Nikkei Dow index improved by 11.10 to 3104.47. Stock Exchange index edged up by 0.76 to 583.35. Page 23

• HONG KONG: Hang Seng index dropped 12.78 to 887.04. Page 23

• AUSTRALIAN exchanges were shut for the Australia Day holiday.

• FRANKFURT: Commerzbank index put on 121 at 7561. Page 23

• SWITZERLAND is to spend SFr 970m (\$485m) to stimulate its economy. Page 3

• ZURICH stock exchange turnover rose almost 30 per cent to a record SFr 190.3bn (\$95bn) last year. Page 15

• SOUTH AFRICA's exports to Black Africa fell from R1.63bn to R926m (\$872m), the second consecutive fall. Page 6

• OMAN expects its budget deficit to rise from a target 165m riyals in 1982 to 267m riyals (\$569m) this year.

• COCOA prices reached 16-month highs in London, with the May position £24 up at £1,295.5 (\$1,963.2) a tonne. Page 27

• SWEDEN's centralised pay talks broke down. Page 2

• AUSTRALIA and Japan are to discuss allowing each other's banks to open branches in their countries. Page 16

• INDONESIA is raising a \$1bn loan equally split between London interbank offered rate and U.S. prime rate tranches. Page 21

• MALAYSIA exported liquefied natural gas for the first time, to Japan. Page 6

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EUROPEAN NEWS

French produce less coal at greater cost

BY DAVID MARSH IN PARIS

THE FRENCH Government has made known its fears about the financial state of the coal industry following a sharp drop in production last year and a big increase in state aid to Charbonnages de France (CdF), the country's coal board.

"Anxiety" about the need for financial equilibrium at CdF was expressed by M. Pierre Mauroy, the Prime Minister, in a letter published in the Communist newspaper "L'Humanité" yesterday, to M. Georges Marchais, the Communist party leader.

This followed publication of CdF results for the year which showed coal production in 1982 dropping to 18.3 tonnes from 20.1m in 1981, partly because of a sharp decline in productivity.

CdF's coal business roughly broke even last year after net state subsidies of FFr 5.6bn (£539m) in 1981, which are due to rise further to FFr 6.5bn (£604m) this year.

Overall, the board made a loss of around FFr 1bn (£93m), due principally to its chemicals offshoot, CdF-Chimie, which is one of the state-owned industrial groups giving the Government the largest headaches.

In his letter, M. Mauroy said that coal production was expected to stabilise at between 18m tonnes and 20m tonnes this year, significantly above the level planned by the previous Government.

He said that CdF's investments were increasing fast—from FFr 1.6bn in 1981 to FFr 2.6bn in 1982, expected to grow to FFr 3.1bn this year.

In its report on its results, CdF said, however, that the cut in the working week to 39 hours had been one of the reasons for



M. Mauroy... anxious about the industry

a fall in output per man per work station to 3,299 kg in 1982 from 3,537 kg in 1981, the first fall for many years.

Partly due to technical and geological problems, the cost of production also rose by 28 per cent compared with 1981 while sales prices fell by 9 per cent in constant franc terms. This led to a tripling of the loss per tonne of coal exploited, from FFr 37 (£5.30) in 1981 to FFr 169 (£15.70) in 1982.

France has asked Afghanistan for information about a 30-year-old French doctor captured by Soviet and Afghan troops south of Kabul. AP reports from Paris Dr Philippe Auguyard, a member of the French humanitarian organisation International Medical Aid, was taken prisoner last month.

Production up 6.3% in car industry

By Our Paris Staff

THE FRENCH car industry, which last year enjoyed one of the most buoyant markets in Europe, increased production by 6.3 per cent to 2.78m units, according to figures from the vehicle manufacturers association.

The increase was achieved in spite of losses of about 100,000 cars through strikes in mid-year. The figure for the year—for which a record registration total of 2.06m cars has already been announced—was below the record 3.2m achieved in 1979, however.

In spite of competitive difficulties on foreign markets car exports rose 5 per cent last year to 1.46m.

The commercial vehicle sector was in much worse shape with production of units of less than 5 tonnes falling 8.8 per cent to 226,000 and exports dropping 9.5 per cent to 119,000.

Production of vehicles above 5 tonnes dropped 8.7 per cent to 14,000, while exports plunged 18.5 per cent to 21,000.

The car sector profited from the period of price stability during the Government's price freeze up to the end of last October. But the figures showed that production rose 13 per cent in the final quarter compared to the same period of 1981, while exports were up 12.8 per cent and registrations 16.6 per cent.

The trouble-hit Renault car plant at Flins near Paris was gearing up yesterday to a full resumption of output following the settlement of a strike which lasted more than three weeks. The plant is not expected to return completely to normal until today.

John Wyles in Brussels examines the community's attempts to liberalise its markets

EEC trade evangelists tackle protectionism

IN THEIR conduct of internal community affairs, EEC governments tend to resemble those biblical evangelists, celebrated in the southern states of America, whose private behaviour fell sadly short of the standards they preached. Nowhere more so than in the EEC's meeting. These are used to regulate imports from third countries and to give their own domestically manufactured goods a competitive advantage

According to a background catalogue compiled by the European Commission, member states resort to at least 23 practices to protect their own markets and which will come under the spotlight at today's meeting. These are used to regulate imports from third countries and to give their own domestically manufactured goods a competitive advantage

European Commission. While the European Council almost certainly underestimated the difficulties involved, its somewhat startling initiative is being seized eagerly by the West German coalition as an opportunity to chalk up an achievement in its handling of the EEC Presidency before the German elections on March 6.

Similarly, Herr Karl-Heinz Nierjes, the West German com-

agreement to clear the way for the adoption of two directives at another meeting on March 1.

The first directive is a highly controversial proposal governing access for third country products to Community certification. The other would establish a procedure for exchanging information between member states on the introduction and implementation of technical standards.

Count Lambsdorf's other objective is to launch a discussion aimed at reaching early agreement on measures to simplify border formalities to simplify the passage of goods from one member state to another.

Agreement on the third country certification problem would remove a direct obstacle to the adoption of a further 20 directives setting single community standards for a variety of goods from cars to medical equipment.

A single set of community standards for key products would obviously simplify—and probably widen—the production of each of them by manufacturer by eliminating the patchwork of national regulations deployed against him.

The EEC's attempts to harmonise such standards have been stalled for the past six

years largely because of European fears that this will result in still greater import penetration.

If a political breakthrough is to be achieved in the next month, it will be on the basis of a compromise allowing a member state to ban a particular third country import if it concludes that it does not satisfy the requirements of a community standards directive.

But West Germany, the UK and the Netherlands are worried that France will exploit this facility to protect its internal market.

As a result, Ministers have to resolve the argument over how the Community should police the system to prevent any member state making prejudiced judgments in response to trade pressures.

France, predictably, wants to maintain as much freedom as possible to regulate imports on a national basis. Paris is clearly uneasy about the whole internal market exercise and seems ready to refuse to lay down national trade defences unless the Community can take over management of sensitive imports from third countries.

More freedom for internal commerce could thus carry the 10 in the direction of "Fortress Europe."

Sweden's national pay negotiations collapse

BY OUR STOCKHOLM CORRESPONDENT

SWEDEN'S centralised wage negotiations broke down yesterday, leaving the future course of a pay settlement in doubt at a critical point in the economic planning of Mr Olof Palme's new Social Democratic Government.

The 22-member Landsorganisation (LO), which represents the blue-collar workers, formally rejected the wage proposal offered by the 7 employers' federation (SAF).

It gave the required seven-day notice that it plans to withdraw from all existing labour agreements.

The employers had proposed that existing wage agreements be extended for one year, after failing to agree among themselves on a negotiating stand.

Some of the larger employers, like Volvo and Atlas-Copco, have been publicly pressing for separate agreements within each

industrial sector. The unions are seeking a general wage rise of 2.1 per cent which together with the increase resulting from the existing pay agreement would increase pay by 6.5 per cent this year. It supports Mr Palme's call for pay restraint to help Swedish industry take full advantage of the krona's 16 per cent devaluation last October. A pay settlement at this level would imply a drop in real disposable income this year. LO member unions have said they will now seek a settlement of this size with each of the employer groups.

The system of central wage settlements has been faulted as not allowing wide enough wage differentials between skilled and unskilled workers and not providing incentives to work in industry.

The breakdown represents an

end to a 30-year tradition of central wage discussion. Mr Palme's Government had hoped that this year's talks would produce an early settlement, and help develop confidence in an economic recovery programme which calls for belt-tightening at home.

The Premier has appealed to both sides to remember their responsibility to the citizens and Mr Olof Palme, the Finance Minister, called the situation "highly regrettable".

Employer spokesmen insist that separate negotiations at industry level will not automatically prolong the settlement procedure because such negotiation has always followed central agreement in the past.

The LO insists, however, that it will not deviate from its policy of wage solidarity, and that individual agreements will be subject to ratification by its central negotiating body.

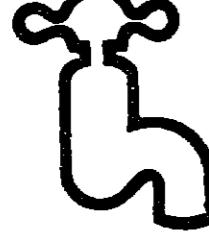


Mr Palme... difficult time for government

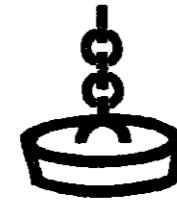
NATIONAL WATER COUNCIL

WATER SERVICES

During this emergency your water supply is under strain. So...



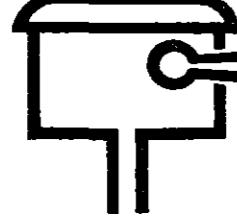
Use less water to help your supply last longer. Where possible take showers not baths.



Save used water for other purposes. Don't just pull the plug.



Catch as much rain water as you can. There are lots of ways you can use it.

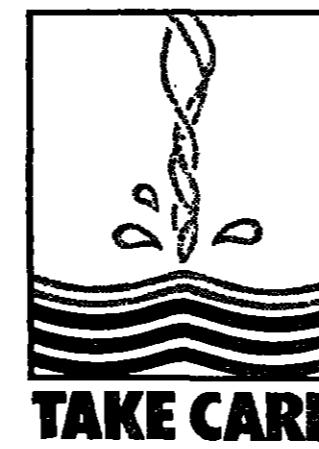


Automatic washing machines use a lot of water. Wash by hand. Or, if you have to machine wash, make sure you have a full load.

500 million gallons of water a day are normally flushed down the lavatory. So if you keep a bucket of used water or rain water for flushing, you'll save gallons.

If water pressure is low, or the tap runs dry, switch off gas and electric water heaters and make sure that all water taps are turned off. With solid fuel boilers, the fire should be reduced and not left unattended. If there is any indication of boiling, the fire should be closed down and allowed to go out. It should not be re-lit until the system has been re-filled.

For further information on emergency measures, listen to local radio and watch the press and television.



TAKE CARE

TAKE CARE OF WATER AND HOW YOU USE IT

Issued by the National Water Council on behalf of the water industry.

Portuguese braced for price rises

By Diana Smith in Lisbon

THE PORTUGUESE Government is expected to announce a package of financial measures this week, increasing the prices of bread, milk, fertilisers and diesel fuel.

It is also likely to recommend putting up taxes and the monthly allocations for government spending, mini-budgetary tools needed to administer the country until whatever government emerges from the general election can produce a 1983 budget.

President Antonio Ramalho Eanes's decision to announce the dissolution of Parliament and an early general election weeks before the formal dissolution has raised unprecedented constitutional problems.

Sr Francisco Balsemao, who resigned as Prime Minister in December precipitating the present crisis, has agreed to remain with his coalition cabinet until the election. But his administration's temporary status permits it only to adjust the 1982 budget with the odd tax or price increase—not offer a new 1983 budget.

Polish Ambassador to Portugal, Mr Stefan Olszowski, the Foreign Minister, who

is hoping that Pope John Paul's visit in June can be placed within the context of the present set of East-West peace initiatives directed at Western governments and public opinion. This emerged from a speech in Parliament yesterday by Mr Stefan Olszowski, the Foreign Minister.

The moderate tone of the speech showed that the authorities hope that the West's critical stance on martial law will wane, that an East-West dialogue on disarmament produce results and that a return can be made to Poland's relaxed relations with the West.

Mr Olszowski said the Government "noted with respect" the Pope's dedication "to defending peace."

He also mentioned the "right conditions" for the visit, stressing that arguments about the exact framework of the visit, with its enormous crowds and consequent risks for the authorities, is con-

tinuing.

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Allied Irish Bank	11 1/2%	Hambros Bank	11 1/2%
Amro Bank	11 1/2%	Hargrave Secs. Ltd.	11 1/2%
Arab Bank	11 1/2%	Hill Samuel & Gen. Trus.	11 1/2%
Arbuthnott Latham	11 1/2%	Hill Sums	11 1/2%
Armcoc Trust Ltd.	11 1/2%	C. Hoare & Co.	11 1/2%
Associates Cap. Corp.	11 1/2%	Hongkong & Shanghai	11 1/2%
Banco de Bilbao	11 1/2%	Kingsnorth Trust Ltd.	11 1/2%
Bank Ecuaportal BM	11 1/2%	Knowsley & Co. Ltd.	11 1/2%
BCCI	11 1/2%	Lloyd's Bank	11 1/2%
Bank of Ireland	11 1/2%	Mallinbank Limited	11 1/2%
Bank of Cyprus	11 1/2%	Edward Mansons & Co.	11 1/2%
Bank Street Sec. Ltd.	10 1/2%	Midland Bank	11 1/2%
Barclays Bank	11 1/2%	Morgan Grenfell	11 1/2%
Barclays Phone	11 1/2%	National Westminster	11 1/2%
Barclays	11 1/2%	Norwich City Tr.	11 1/2%
Beneficial Trust Ltd.	12 1/2%	P. S. Ross & Co.	11 1/2%
Bremar Holdings Ltd.	12 1/2%	Royal Trust Co. Canada	11 1/2%
Brit. Ship & Mid. East	11 1/2%	Roxburghs Guarantee	11 1/2%
Brown Shipley	11 1/2%	Slaivenburg's Bank	11 1/2%
Canada Perini's Trust Ltd.	11 1/2%	Standard Chartered	11 1/2%
Castl Court Trust Ltd.	11 1/2%	Trade Dev. Bank	11 1/2%
Cayzer Ltd.	11 1/2%	Trustee Savings Bank	11 1/2%
Cedar Holdings	11 1/2%	TCB	11 1/2%
Chelmsford Japeth	11 1/2%	United Bank of Kuwait	11 1/2%
Citibank Savings	11 1/2%	Westpac Banking Corp.	11 1/2%
Clydesdale Bank	11 1/2%	Whiteaway Laidlow	11 1/2%
C. E. Coates	11 1/2%	Williams & Glyn's	11 1/2%
Comm. Bk of N. East	11 1/2%	Wintrust Secs. Ltd.	11 1/2%
Consolidated Credits	11 1/2%	Yorkshire Bank	11 1/2%
The Cyprus Popular Bk	11 1/2%	Members of the Accepting Houses Committee	11 1/2%
Duncan Lawrie	11 1/2%	7-day deposits 8%. 1-month deposits 12%. Short-term 22.00/12-months 10.5%.	11 1/2%
E. T. C.	11 1/2%	7-day deposits on sums of: under £10,000 8%; £10,000 up to £50,000	

EUROPEAN NEWS

Genscher's political barometer swings to fair

BY JAMES BUCHAN IN BONN

HERR Hans-Dietrich Genscher is himself again. After four months in which his small Free Democrat Party (FDP) has looked in danger of parliamentary extinction and he has been savagely attacked from every side, the barometer is beginning to swing to fair.

The latest batch of opinion polls indicate that the party has climbed back towards the crucial 5 per cent of the vote which would return it on March 6 to the Bundestag, where since 1969 it has exercised influence quite incommensurate with its size.

This in turn points to the continuance of the coalition with Chancellor Helmut Kohl's Christian Democrats (CDU) and the Christian Social Union (CSU), of Herr Franz-Josef Strauss.

Herr Genscher, the FDP chairman and West German Foreign Minister, is such a private man that it is hard to know whether he has ever left his nerve gear, wounded at 13 years of solo office when enough for any soul, or regretted the cuts in his party which followed his switch of coalition partners from the Social Democrats (SPD) to the

conservative CDU last September.

It is equally hard to know whether, at the FDP congress in Freiburg over the weekend, he thought to compare this obedient gathering with the tears and tumult of its predecessor in Berlin in November, when even his most devoted protege, Herr Günter Verheugen, resigned at the shift to the right, such birds of paradise flew away, and the entire youth was snatched off.

Possibly not. "Fear makes bad liberals," says Prof Ralf Dahrendorf, who hurried to Freiburg from his post as director of the London School of Economics and is widely portrayed as the new "sage" of German liberalism in crisis.

However, fear of parliamentary extinction has brought the party back towards unity and the same fear among the voters could bring it back to power.

Frau Ingrid Adam-Schwaetzer, who replaced Herr Verheugen as party general-secretary, graphically expressed this in her speech on Saturday.

In a 55-minute speech on Saturday, which showed Herr Genscher at his fighting best,

he laid down the lines on which the election campaign would be conducted. The traditional FDP warning against the dangers posed by Herr Strauss' right-wing policies in a conservative government with an absolute majority, expanded to a dual attack on the conservatives and the SPD, in the still unlikely guise of alliance with anti-nuclear and environmentalists Greens.

A vote for the FDP would present a conservative counter-reformation, not only in foreign policy after a 12-year period which has seen detente with the eastern blocs, but also in internal affairs where the liberals regard themselves as guardians of the rule of law and conscience.

As for the SPD, it "would depend in foreign policy on the Greens and Alternatives and would be dragged out of Nato and into neutrality, whether it liked it or not."

This is a potent, if highly theoretical, warning about the possibility of a minority SPD government ruling with the toleration of the Greens, now bidding to enter the Bundestag for the first time. The latest polls show this could happen,

even if the thrust of the SPD campaign has so far been to steal votes from the Greens.

Meanwhile on the economic front, Count Otto Lambsdorff, the Bonn economics minister, portrayed himself as the last protector of West Germany's "social market economy" against a CDU beholden to a large popular following or against the SPD-Greens.

Inevitably, in a party so independent-minded as the FDP, all was not quite well. Prof Dahrendorf, though not a delegate, was permitted to speak and his remarks were quoted frequently by other speakers.

Without doubt, many delegates in London, from recent political turmoil, as a possible saviour for the future.

Prof Dahrendorf himself, while insisting that March 6 is not the only thing to worry about, is not clear about his plans. He might, he hinted, save the LSE for another academic year. Looking round the conference hall, while Count Lambsdorff effortlessly squashed a motion, he found an atmosphere of liberal debate missing. "It's no fun here," he said.

For the SPD, it "would depend in foreign policy on the Greens and Alternatives and would be dragged out of Nato and into neutrality, whether it liked it or not."

This is a potent, if highly theoretical, warning about the possibility of a minority SPD government ruling with the toleration of the Greens, now bidding to enter the Bundestag for the first time. The latest polls show this could happen,

Sluggish world output recovery forecast

BY MAX WILKINSON IN LONDON

WORLD output is expected to show only a sluggish recovery in the first half of this year but to accelerate somewhat thereafter, according to the London Business School Centre for Economic Forecasting in its latest monthly

outlook.

The School says that total output last year was estimated to have fallen by 1% per cent in the Organisation for Economic Co-operation and Development countries.

For 1983 as a whole, world output is expected to be only about 0.8 per cent higher than the 1982 average, although growth will be picking up to an average of around 2 per cent a year for the following three years up to 1986.

A gradual recovery is expected to start in the U.S. early this year and to spread to Europe in the second half of the year.

London Business School (LBS) comments: "If by historical standards, the recovery we are forecasting is extremely weak, it is also the case that the cyclical dip in inflation is heavily damped.

"Over the next 12 months, wholesale price inflation could be less than 5 per cent; for consumer prices it could be down to 6 per cent."

The LBS is expecting a weakness of oil prices and a further weakening of the dollar to result in a fall in oil prices to most important oil-importing countries, particularly Japan and Germany.

The commission says that Dutch labour supply will continue to grow until beyond the turn of the century and warns of serious unemployment for the next 20 years.

The rapid decline of the labour market in the last 12 months has caused unemployment to almost double.

This month, the number out of work in the Netherlands, seasonally unadjusted, is likely to exceed 650,000, or 15 per cent of the labour force, making the problem one of the most acute in Europe. By December, the figure could well be 750,000.

At the weekend, Mr Ruud Lubbers, the centre-right Prime Minister, warned that, in the absence of wage moderation this year, the government would be unable to make extra cash available to create jobs and fund work-sharing schemes in industry.

Switzerland will spend £318m to reduce unemployment

BY JOHN WICKS IN ZURICH

THE SWISS Government has announced details of a special spending programme aimed to counter the current "unsatisfactory development" of the economy and create new jobs. The measures, which would cost almost SwFr 970m (£318m), are to be presented to parliament at the coming spring session.

This step, which was heralded by a Federal Council statement last month, follows a rise of unemployment to the highest level for six years and a continuing fall in gross domestic product. An upturn in the national economy is considered likely until the second half of this year, at the earliest.

The main feature of the programme, which is expected to lead to short-term orders worth SwFr 0.8m (SwFr 0.4m dl) to finance training and rehabilitation programmes for the unemployed. Studies of the creation of a programme to guarantee innovation risk are also to begin.

Dutch may see 100,000 jobs disappear this year

BY WALTER ELLIS IN AMSTERDAM

SOME 100,000 jobs will disappear in the Netherlands this year—25,000 more than had been forecast by the Central Planning Bureau, according to the latest report of the national Manpower Commission.

The commission says that Dutch labour supply will continue to grow until beyond the turn of the century and warns of serious unemployment for the next 20 years.

The LBS is expecting a weakness of oil prices and a further weakening of the dollar to result in a fall in oil prices to most important oil-importing countries, particularly Japan and Germany.

He wants industry to accept that price compensation—the automatic indexation of wages to prices—must be suspended during the present recession and has begun, through Mr Jan de Koning, the Economics Minister, to put pressure on major employers and trade union leaders.

Unemployment is fast becoming the country's dominant political issue. Despite the fact that Mr Lubbers fought last September's general election on a platform of cost-cutting and general economic rectitude, he is having to face the fact that the focus of public attention is not high state borrowing and over-spending, but the alarming extension of the dole queues.

Mr de Koning is trying to convince the unions to endorse job-sharing, shorter hours and a minimum wage based on the number of hours worked—all with a view to helping employers spread jobs more widely—but is encountering instead, demands for more investment in industry.

W. German-Czech talks centre on disarmament

BONN — Herr Hans-Dietrich Genscher, the West German Foreign Minister will explore the latest East-West disarmament proposals during two days of talks with Czechoslovak leaders starting in Prague tomorrow, diplomatic sources said yesterday.

But they stressed that West Germany was not prepared to encourage any proposal that was inequitable or created a one-sided military balance in Europe. Bonn would also strongly resist any attempt to drive a wedge between West Germany and the U.S. on questions of arms control and disarmament, they added.

Herr Genscher would, in particular, follow up the Warsaw Pact proposal for a non-aggression treaty between East and West, adopted at its summit in Prague earlier this month. The sources said there were constructive elements in the proposal, particularly the call for proper verification of any disarmament agreements.

Herr Genscher would also seek a Czechoslovak assessment of new Soviet leader Yuri Andropov, and his recent proposals to limit the

EEC likely to back \$900m payments to London and Bonn

BY JOHN WYLES IN BRUSSELS

EEC GOVERNMENTS should formally adopt a proposal today to give special payments amounting to nearly \$600m (\$922.5m) to Britain and West Germany with some optimism that it will not be rejected by the European Parliament.

Parliamentary leaders gave sufficient guarantees on points of detail at the end of last week to clear the way for agreement in the Council of Ministers today on a supplementary budget containing the payments.

But the sources said, he would also note that talks on reducing tension could not be separated from the question of Soviet intervention in Afghanistan or Moscow's alleged role in the Warsaw Pact.

After his recent visit to the U.S. and talks today in Bonn with Vice-President George Bush, the sources said Herr Genscher would relay the desire of the U.S. to reach agreement this year at the Geneva negotiations on limiting medium-range nuclear missiles in Europe.

The West German Foreign Minister will also repeat calls by Chancellor Helmut Kohl for a summit conference between President Ronald Reagan and Mr Andropov, the sources said.

Reuter

which draws from member states up to 1 per cent of the total volume of domestic sales of certain goods and services.

Conscious of British and West German opposition to such a move, the Parliament is more capable of betraying these expectations. But there are clear indications from some of its spokesmen that the focus of the Parliament's battle to influence longer-term policy development in the community is being switched from the supplementary budget to the activities of the European Commission.

Parliamentary spokesmen are stressing that their attitude to the supplementary budget will be greatly influenced by two Commission action pronouncements to be delivered to the full session in Strasbourg next week.

The first will be the discussion paper on alternative ways of adding to the Community's budget revenues—it's own resources. Without making an explicit recommendation, the Commission is expected to set out such options as an increase in the current financing system, the first will be the discussion paper on alternative ways of adding to the Community's budget revenues—it's own resources. Without making an explicit recommendation, the Commission is expected to set out such options as an increase in the current financing system,

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This might win more support in London and Bonn but one of Britain's favoured alternatives—a tax on oil imports—has been dropped.

The second Commission action eagerly awaited by the Parliament is the policy speech to be delivered next Tuesday by M Gaston Thorn, the Commission's President.

After hearing him spell out the Commission's priorities for its remaining 23 months in office, the Parliament looks likely to try to hold the Commission to its stated objectives during the coming year by threats to use its power to dismiss all 14 Commissioners.

However, since oil prices are determined in dollars the value of the dollar has a particular significance for the world economy.

The strength of the dollar since 1981 has, in effect, subjected the world to a further oil price shock with deflationary consequences.

Custom-built for Swissair

Swissair might be considered an awkward customer by aircraft manufacturers. This is because our special requirements nearly always involve design alterations. So what might appear to you as an "off-the-peg" aeroplane is actually custom-built for Swissair.

Take the B747-357 jumbos produced to our specifications and with our close co-operation. These jumbos differ from previous models by having more economical engines and more particularly an extended upper deck. But because Swissair believes in "more room instead of more seats" we've used the increased space to give better accommodation for our passengers.

The upper deck is laid out to comfortably accommodate 69 Economy Class passengers. Then we've enlarged First Class to take 36 slumberettes and allocated the rest of the main deck for 275 in Economy Class. In all, we've made room for 380 passengers (just 19 more seats than before) on the biggest jumbo aloft.

On a long flight, it's not only important to have ample space. You want to get there quickly. So we're the first airline to fit our DC10-30ERs (extended range) with auxiliary fuel tanks. Now we can fly you non-stop, for example, from Switzerland to Rio de Janeiro.

Of course, we give equal attention to our

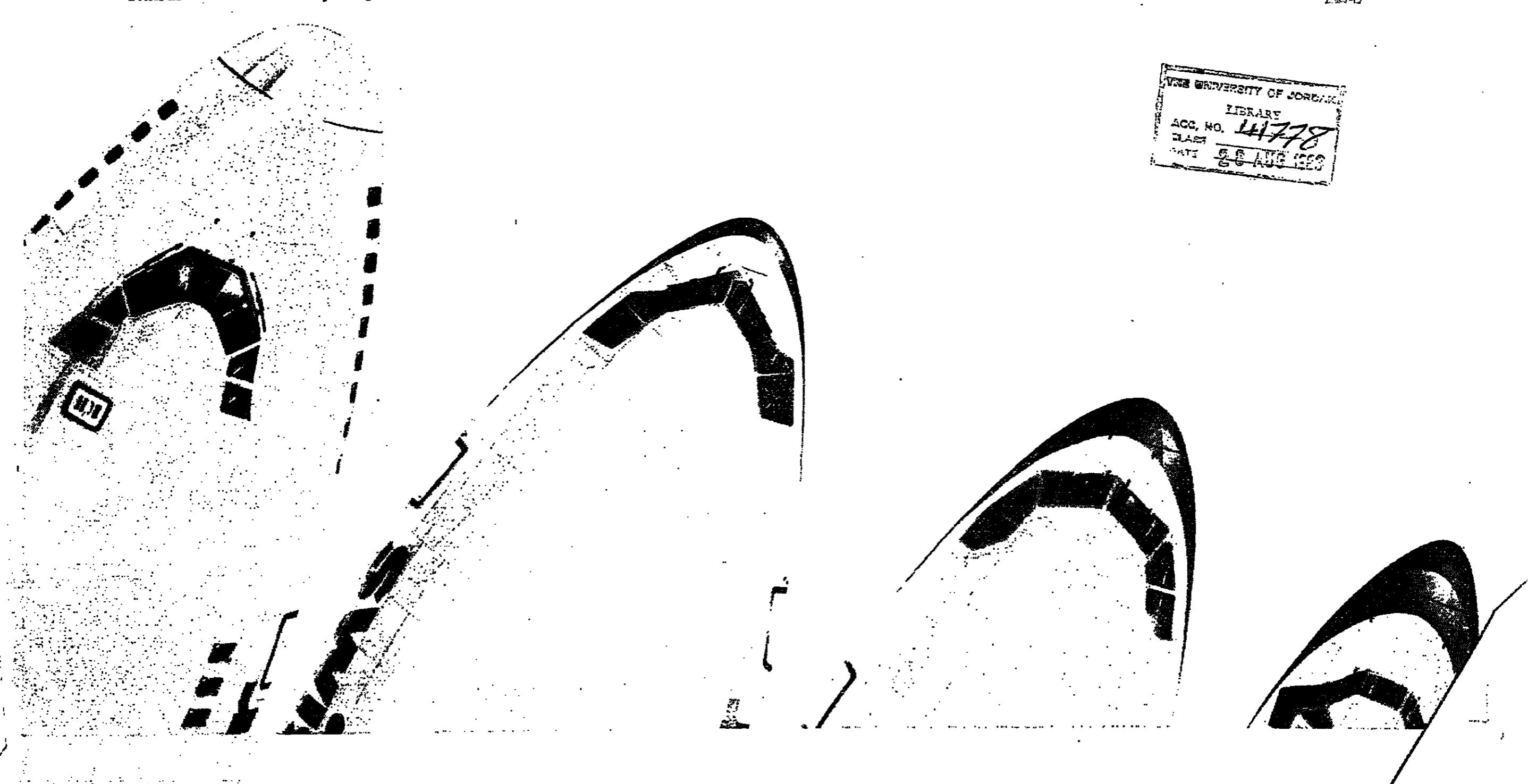
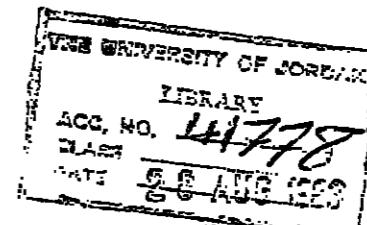
short and medium range aircraft. On April 26th our new A310 Airbus will make its premiere flight on the London to Zurich route. As you now expect, it's been built especially to our specifications with the latest and most functional passenger-aircraft cockpit. Its new wing design and improved aerodynamic characteristics will save 5% of fuel. The numerous cabin innovations will also benefit our customers in many ways.

We also had special requirements for the DC9-81, which we were the first airline to introduce in 1980. In fact, the size of the aircraft was largely dictated by Swissair's forecasted passenger and cargo capacity needs. Its ex-

tremely quiet engines also use much less fuel than the traditional DC9.

It's this sort of attention to detail that has helped us build our network to 98 worldwide routes. And offer our passengers one of the most modern and efficient aircraft fleets in the world.

swissair



THE U.S. BUDGET

Republicans forecast furious defence battle

BY REGINALD DALE, U.S. EDITOR IN WASHINGTON

IN HIS defence budget for 1984, President Ronald Reagan is quite literally sticking to his guns. His determination to rebuild America's armed forces after years of what he sees as neglect has not wavered, even if he has had to compromise on almost everything else.

Of his three major priorities on assuming office two years ago—tax-cutting, balancing the budget and restoring the nation's defence-only the armed forces build-up has survived virtually unscathed.

The original aim of balancing the budget by 1984 has long been forgotten, and tax increases, whether they are called "structural reforms" or a "deficit insurance policy," have become an essential ingredient in his budget strategy.

If he has accepted the need for some defence "savings," it is so far essentially for cosmetic reasons. He simply could not ask Congress for savage reductions in non-defence spending (roughly 70 per cent of the budget) without at least token

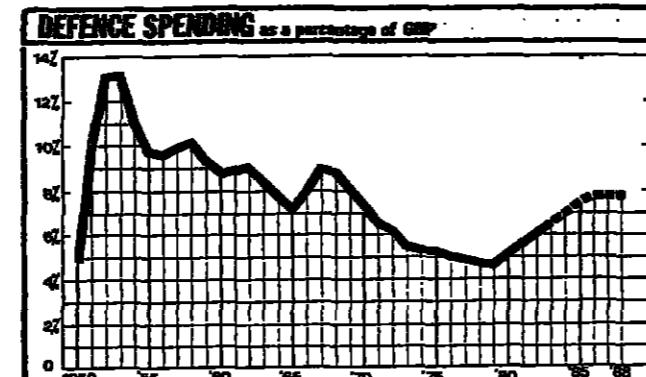
defence cuts.

By projecting next year's proposed trimming of the defence budget over five years, he has come up with a total "savings" figure of \$55bn (£35.5bn), which looks much more impressive than other figures of \$8bn (in real spending) or \$16bn (in spending authority), which includes commitments for the future.

The fact remains that a cut of \$16bn would still leave next year's spending authority at a level 9 per cent higher than this year's in real terms, while non-defence authorisations would be down by 70 per cent—if his freeze on Federal spending and other restraints are accepted.

The Pentagon's actual spending would rise from \$208.9bn this year to \$238.6bn in 1984, not counting about \$7bn in spending on nuclear and defence-related activities by civilian agencies.

In the current political and economic climate, it is quite clear that these figures are not going to survive in Congress. The Administration will argue



that next year's actual spending figure already reflects an \$8bn reduction in its original plans and that this is the absolute minimum which can be tolerated if the nation's security is not to be jeopardised.

The Pentagon has already opened up a heavy barrage to protect the \$8bn from further interference, largely on the

grounds that while Soviet military spending continues unabated, the US cannot afford to sit behind again.

The thesis of Mr Caspar Weinberger, the Defence Secretary, has always been that defence spending must be adjusted to meet the Soviet threat, rather than short-term budgetary requirements.

The Administration's critics, however, have already pointed out that the \$8bn is largely a phoney reduction, in that much of it is to be achieved by deferring the cost of inflation and fuel costs—which Mr Weinberger has said will be put back up again if necessary. After reluctantly accepting a 1984 pay freeze for the armed forces, who were due for a 7.6 per cent rise, he is also now saying that he plans to make up the difference in 1985.

Even Mr Reagan's Republican supporters doubt that the \$8bn reduction can be maintained—and many of them think that it is too low anyway.

Mr Howard Baker, the Republican majority leader in the Senate, is forecasting a furious battle, ending with defence cuts of \$16bn to \$12bn or more—though falling well short of the \$22bn demanded by Senator Edward Kennedy of Massachusetts. Many Democrats will be gunning for one or more of the new weapons systems, all of which Mr Reagan is anxious to preserve as he pushes ahead

with his strategic modernisation programme.

The Administration is not budging from its insistence that all major war systems—including the F-117 bomber, the ultra-modern "Stealth" bomber, the new Trident 2 missile, cruise missiles and controversial MX intercontinental ballistic missiles—are essential to ensure "a credible nuclear deterrent for the foreseeable future."

The Administration's second, often unstated point is that any weakening in the strategic build-up will be interpreted in Moscow as a sign of weakness and undercut the U.S. position at the Geneva arms control negotiations. The argument applies most specifically to the MX for which the Administration will once again be asking for production funds in the months ahead—after a humiliating Congressional setback at the end of last year.

Defeat of the MX would be regarded as a catastrophe by the Administration. Congress, however, is unlikely to vote production funds for the missile until its basing method has been settled. There is as yet no sign of agreement on that so far unanswered question.

Some Republicans believe that by stretching out the procurement of other items like tanks, ammunition and trucks, the major programmes can be saved from any Democratic onslaught. But they acknowledge that Mr Reagan faces a major battle to prevent Congress from spiking at least some of his guns.

Reagan's appeal for realism

By Our U.S. Editor

THE HIGHLIGHT of President Ronald Reagan's fiscal year 1984 budget is his four-point plan to reduce deficits by \$55bn (£35.5bn) over the next five years and "enhance prospects for sustained economic recovery and lower unemployment."

In his budget message, Mr Reagan said that the plan must be "bi-partisan, fair, prudent and realistic. Given the underlying deterioration in the overall economic picture that has occurred over the past two years," he told Congress, "only the most sweeping set of fiscal policy changes could help to reverse the trend and set the budget on a path consistent with long-term economic recovery."

The four points are:

- A Federal spending freeze to keep the 1984 budget at the same level as in 1983, after an inflation rate of about 5 per cent is taken into account.
- Control of social benefits under automatic spending programmes, such as food stamps programmes.
- Defense "savings" of \$55bn over five years.
- "Structural taxes" to raise \$40bn to \$50bn a year for three years from October 1985, if deficits are still too high. They would include a tax of 65 pence on imported and domestic oil and a 5 per cent surcharge on individual and corporate income taxes.

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AMERICAN NEWS

William Chislett, recently in Belize City, meets the British forces there

Tiny Belize refuses to give an inch

EIGHTEEN MONTHS after being granted independence the former British Colony of Belize is still being protected by 1,800 British troops from the menacing right-wing military dictatorship in neighbouring Guatemala, which claims the tiny central American territory. "If Guatemala ever decided to launch an invasion we would probably be the first to get wind of it," said a young British soldier at the army's main observation post, perched on top of a 700 ft high hill in dense jungle on the border between the two countries.

Eight soldiers at a time man the observation post around the clock for a week in sweltering heat. The only access to the post is by helicopter and then it has to land precariously on a 20-ft square patch.

Peering through high-powered telescopes, the soldiers monitor the movements of the small Guatemalan military camp below them. They log any unusual activity on the only main road which links Guatemala City with Puerto Barrios, the home of the Guatemalan Navy and Petén, a highly militarised zone where the Guatemalan army is waging war against largely Indian guerrillas.

The nearest the British troops have come to tasting war is when Guatemalan soldiers hurt iguanas on the banks of the river below the observation post and bullets ricochet over their heads.

The only invasion so far has come from refugees from wartorn El Salvador, thousands of whom have sought sanctuary in Belize.

Nevertheless, outnumbered 10 to one by the 20,000 strong Guatemalan army, the British troops are deadly earnest about their defence task. They patrol the snake-infested and malaria-ridden jungle carrying live ammunition and 80 lb packs on their backs.

The British forces in Belize currently include the Nine Parachute Squadron, Royal Engineers, who were in the thick of last year's fighting in the Falkland Islands. There are also four Harrier jets and Rapier surface-to-air missiles at the main camp near Belize City. The total annual cost of maintaining the troops is £25m.

Last week, for the first time since shortly before Belize was granted independence in September, 1981, the three sides started talks again in New York



British troops (left) are still guarding the former UK colony of Belize, which is claimed by neighbouring Guatemala. Even though Guatemala has toned down its demands recently and is now pressing for sovereignty over only part of Belize, Mr George Price, the territory's prime minister, refuses to allow his neighbour to take anything.

try to break the deadlock over Guatemala's 150-year-old claim over Belize and to enable London to pull out its troops honourably.

A basis for agreement was almost reached in 1981. Talks, however, broke down over the exact nature of the "use and enjoyment" of a chain of islands off Belize's southern coast, upon which Guatemala had military designs.

When Belize obtained independence, Guatemala ended diplomatic relations with London and pulled its consul out of Belize.

Gen Efrain Rios Montt, Guatemala's born-again Christian President, is now pressing for sovereignty over the potentially oil-bearing district of Toledo and not all of Belize, as has been Guatemala's traditional stance.

But the government of Mr George Price, the Belizean Prime Minister, is still adamant that it will not yield "one square centimetre." Belize presented a counter-proposal last week involving the joint development of a strip of land either side of its southern border with Guatemala.

Belize and London feel strongly that the Guatemalan problem is not being helped by Washington's recent decision to supply \$1m worth of helicopter spare parts to Guatemala to help it beat the rebels.

Both countries fear that this could lead to a resumption of full US military aid to Guatemala, which was suspended in 1977 because of the country's human rights record and that

U.S. bullets could be fired at British troops.

"After the Falklands dispute, we feel that the U.S. had a good chance to tell Guatemala not to follow Argentina's example," said a senior Belizean official. "But instead of this the U.S. has started to rearm Guatemala to try to win back influence."

U.S. officials insist that Washington can now exert greater pressure on Guatemala to settle its Belize dispute and there are now signs this is happening.

It is commonly believed in Belize that both the U.S. and Guatemala are happy to see British troops stay because both American countries view the UK presence as a buffer against so-called Cuban expansionism in turbulent central America. To this end, the U.S. has begun to help—a small extend—the 600-strong Belize Defence Force.

Belize itself would suffer enormously from a withdrawal of UK troops, since it would leave a gaping hole in its floundering economy.

It is estimated that the British troops account for as much as one-third of Belize's \$140m (£91m) gross domestic product. Several hundred Belizeans are employed by the British forces. Hotels, bars, the brewery—right next to the main army camp—and other parts of the economy rely heavily on the troops.

Low world prices for sugar, Belize's main export, with exports down \$16m in 1982 to \$33.3m, and the devastating

impact of Mexico's economic crisis have sent Belize's economy into a tailspin.

Mexico used to import some \$50m worth of goods annually through the Belize City port. The massive devaluation of the Mexican peso has brought this trade to a standstill, depriving the Belize Treasury of revenue and Belizean traders of business.

Belizeans now pour over the northern border with Mexico by the bus-load at weekends where goods for dollar holders, the main currency in Belize, are now very cheap. Smuggling is rife.

Foreign aid and investment has not come in large amounts.

Belize is expected to draw this year on its \$8m quota from the International Monetary Fund,

an option it did not have as a colony, to keep the economy afloat.

There is, however, one bright spot in the economy—marijuana—which is now said to be the country's leading export. In the first nine months of 1982, 46 acres of marijuana worth \$200m on the market were harvested.

Just before the New Year a DC 3 touched down on the main road north of Belize City and landed up with marijuana. This blatant act has fuelled speculation in the marijuana trade. Enterprising UK soldiers on the road took photographs of the incident and reported the matter to the authorities.

Although the Government has made no money, most Belizeans believe that it will not crack down too harshly on this important source of revenue.

Mexico misses payments deadline

By William Chislett in Mexico City

MEXICO YESTERDAY failed to meet its deadline on the first repayment of its \$1bn (£666m) of private sector interest arrears.

Sr Jesus Silva Herzog, Finance Minister, told bankers last month that the Bank of Mexico would make the foreign exchange available at the end of January to pay back about 10 per cent of the arrears.

The reason for the delay is twofold. Senior financial officials say the payment cannot be made until Mexico receives the first \$1.7bn tranche of its \$5bn international commercial credit.

This credit is not yet completed, because of resistance from some banks, and currently about \$4.7bn is committed. Foreign bankers do not expect Mexico to receive the first tranche for several more weeks.

Secondly, the 10 per cent commitment is based not on the actual amount of arrears—about \$1bn—but on how much Mexican private companies have deposited of their dollar debt in pesos in the nationalised banking system.

Under a government scheme, companies have been paying interest due in pesos to the Bank of Mexico which will then convert them into dollar obligations of its own to the lending banks. But many companies have so far failed to make these payments.

Quebec strike hits hospitals

MONTREAL — About 66,000 non-medical hospital workers in Quebec have gone on strike, joining more than 100,000 other public employees in an illegal action which has closed schools and disrupted government services.

The provincial government, which has already started legal action against some of its striking employees, said it would impose even stiffer sanctions if hospitals were forced to close.

The penalties could include dismissal for strikers, who began working on last Wednesday to protest at government-imposed wage cuts of up to 20 per cent.

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STAYING AHEAD IN THE RACE TO TOMORROW.

OVERSEAS NEWS

Israeli president clears way to re-enter politics

BY DAVID LENNON IN TEL AVIV

MRI YITZHAK NAVON, the Israeli President, announced yesterday that he will not seek a second five-year term. He thus opened the way for his eventual return to politics, when he might challenge Mr Menahem Begin, the Prime Minister, and his ruling Likud bloc of parties.

It is generally felt within the opposition Labour Party that, with the popular 61-year-old President at its head, the party would have a better chance to wrest power from Mr Begin, or his successor.

Announcing his decision not to stand in the upcoming election in May, Mr Navon said that he would not return to politics. He insisted that he would devote himself to good works after his term ends in May.

However, the time between the end of Mr Navon's presidency and his challenge for the leadership of the Labour Party (and perhaps for the premiership) is regarded in Israel as a cooling-off period for him.

Elections are to be held within the next few months, and the opposition is likely to be led then by Mr Shimon Peres, its current chairman. However, if the elections were to be delayed, and Labour were

to lose again, then Mr Navon would be likely to emerge as a candidate for the party leadership.

There have been hints in recent months that he might return to politics, and opinion polls have rated his popularity as a potential leader of Labour far higher than that of Mr Peres or Mr Yitzhak Rabin, the former Labour Minister.

Both these men have indicated that they would step aside in favour of Mr Navon if he were to seek the party leadership.

However, Mr Mordechai Gur, a former chief of staff, has announced that, if there were to be a new leadership election within Labour, he would challenge Mr Navon.

President Navon is an amiable figure, respected in many sectors of Israeli society. One of his key electoral advantages is his oriental sephardic origin, his family having lived in Jerusalem for generations.

About 60 per cent of the Israeli population are oriental Jews.

Labour would hope to attract many of them away from Mr Begin to Mr Navon. Against that, however, is the president's reputation as a dove on relations with Arab states.

Pretoria's black neighbours are still dependent on its goodwill, writes J. D. F. Jones, recently in Maseru

Helpless Lesotho highlights a southern African irony



Chief Leabua Jonathan . . . may have learned a lesson

NO ONE could miss the ironies as the two-day annual donor meeting of the Southern African Development Co-operation Conference (SADC) which took place in Maseru, Lesotho, last week.

The SADC exists to lessen the economic dependence of the independent states of southern and central Africa on the mighty white-ruled Republic of South Africa.

But by choosing Maseru—the least developed capital of one of the world's least developed countries—as the venue, SADC has highlighted the extremity of its problems. For Lesotho's difficulties go to the heart of those facing SADC's whole a-

ffairs of this enclave kingdom. Chief Jonathan used to be close to the South African Government—a stooge, said his enemies—while Mr Mokhele was linked with the ANC, or perhaps more accurately, Pan Africanist Congress (PAC).

Their positions now appear to have roots for reasons which are hidden in the con-

tinuing of South Africa's policy of "desensitisation" of its neighbouring black states. Chief Jonathan now is the critic of Pretoria while Mr Mokhele and his LLA are reputed to enjoy the help of the South Africans, or at very least to enjoy safe haven inside the republic.

Freedom from Pretoria's apartheid regime is constitutionally a fact, and of course Lesotho is multi-racial. But this has not guaranteed complete political freedom. In 1970, Chief Leabua Jonathan, the Prime Minister, did not like the way election results were coming in and, with a degree of co-operation from South Africa, aborted the process. He has since had power untested by the polls.

This is no longer rewarded with the peace and stability he presumably planned. His enemies, from the Basotho Congress Party led by Mr Ntsu Mokhele, have now turned their opposition into a semi-military campaign through the Lesotho Liberation Army (LLA), which has for several years been carrying on a minor but effective guerrilla campaign. The ageing Chief Jonathan has been looking increasingly under pressure.

One of his tactics has been to patch up, at least in public, some sort of reconciliation with 44-year-old King Moshoeshoe II, the Second, the constitutional head of state.

There is, of course, no way in which Pretoria is not going to interfere in the parochial

affairs of this enclave kingdom. Chief Jonathan used to be close to the South African Government—a stooge, said his enemies—while Mr Mokhele was linked with the ANC, or perhaps more accurately, Pan Africanist Congress (PAC).

Their positions now appear to have roots for reasons which are hidden in the con-

tinuing of South Africa's policy of "desensitisation" of its neighbouring black states. Chief Jonathan now is the critic of Pretoria while Mr Mokhele and his LLA are reputed to enjoy the help of the South Africans, or at very least to enjoy safe haven inside the republic.

Chief Jonathan's total helplessness became clear with the South African incursion in Simontswao. Pretoria's argument was that some of his 11,000 South African refugee guests were using Lesotho as a base for terrorism in the republic.

The South African authorities even contacted Chief Jonathan's own Lesotho Paramilitary Force (LPPF) to make sure they stood back from the invaders.

Subsequent events are curious. The ANC earlier this month withdrew at least 100 of its people from Maseru. Mozambique, too, is forced to wonder whether, in spite of the outrage, Lesotho expressed over the South African incursion at the United Nations, Maseru has learned a lesson.

But for any government in Lesotho, true independence requires that the national economy shed its utter depen-

dentence on South Africa.

The agricultural sector, for obvious reasons of geography, has only limited prospects. Tourism is more promising. The great asset of water still requires years of development and massive investment before it can be sold to the republic.

The answer has to lie in the creation of jobs through new projects.

For example, Tatung of Taiwan is bringing in a videotape-recorder assembly operation funded \$5.5m with LNDIC and employing 175 people, to export to both black and white Africa.

Also nearing completion is a West German project which will eventually employ 800 to make pantyhose and re-export to Europe.

The priority in all this is job creation. In 1980, the LNDIC created about 1,000 jobs; in 1981, 1,250; in 1982, 1,400; and the target for 1983 is 2,000.

It adds up to a modest success story—except that it is nothing like good enough with 20,000 job seekers coming onto the market each year.

So all the SADC delegates will be the first to admit, there is no way in which the dependence of Lesotho on the South African labour market is going to be reduced significantly for many years to come.

Vietnamese launch attack on Thai refugee camp

BANGKOK — Vietnamese troops and artillery yesterday launched a major assault against the biggest refugee camp on the Thai-Kampuchean border. An estimated 30,000 Kampuchean refugees were expected to flee into Thailand. By dawn, at least 10,000 had already left.

Ground fighting was reported outside Nong Chan camp, between troops of Hanoi's Kampuchean garrison and insurgents from the non-Communist Kampuchea People's National Liberation Front which controls the camp.

The Vietnamese kept up a steady barrage of rockets and artillery and mortar shells. The

Peking N-technology talks likely for Shultz

BY TONY WALKER IN PEKING AND ALAIN CASS IN LONDON

MR GEORGE SHULTZ, US Secretary of State, is likely to discuss with Chinese leaders during his visit to Peking this week the problem of giving China access to American nuclear technology amid persistent suspicions that Peking is assisting Pakistan in its nuclear weapons programme.

U.S. officials in Peking claim that recent reports alleging Sino-Pakistan nuclear co-operation are based on disinformation. British officials are understood, however, to be satisfied that Pakistan is pursuing the development of nuclear technology for military purposes and do not exclude the possi-

bility that some assistance may have come from China.

On his recent visit to China Pakistan's President Zia-ul-Haq told a Press conference that "we give China access to American nuclear technology amid persistent suspicions that Peking is assisting Pakistan in its nuclear weapons programme."

None of these denials have shaken the belief among officials that Pakistan is bent on acquiring nuclear weapons through the clandestine purchase of the necessary technology and raw materials.

Also standing in the way of Sino-U.S. nuclear co-operation and do not exclude the possi-

bility that some assistance may have come from China.

On his recent visit to China

China and Pakistan are close allies, share a common border, and have a longstanding programme of military co-operation. China supplies weapons to the Pakistanis.

Attempts by the U.S. and China to reach a modus vivendi on nuclear safeguards were apparently shelved after a visit to Peking last August by Gen Vernon Walters, the U.S. official who undertakes special missions on behalf of the Administration.

According to American news reports, Gen Walters failed to get adequate Chinese assurances that safeguards would be placed on nuclear exports.

Maharashtra's chief minister resigns

By K. K. Sharma in New Delhi

THE CONGRESS (I) Chief Minister of the industrial state of Maharashtra in western India yesterday submitted his resignation to Prime Minister Indira Gandhi, the Prime Minister, clearing the way for his replacement.

The chief minister, Mr Babasaheb Bhosale, was chosen by Mrs Gandhi a year ago when his predecessor, Mr A. R. Antulay, was forced to resign on charges of corruption and abuse of power.

Although a nominee of Mrs Gandhi's, Mr Bhosale has been under pressure to resign.

Current account surplus rise for Japan

By Jurek Martin in Tokyo

JAPAN recorded a \$6.90bn balance of payments surplus on its current account in calendar 1982, \$2.13bn bigger than in the previous year.

The merchandise trade surplus, calculated on a balance of payments basis rather than the customs clearance figures issued two weeks before, came to \$18.16bn, 7.9 per cent under the \$19.97bn of 1981. Exports were worth \$137.65bn (\$149.52bn in 1981) and imports \$119.46bn (\$129.56bn).

However, the deficit on invisibles contracted to \$9.91bn from \$13.57bn.

Decline in Pretoria's exports to black states

By Bernard Simon in Johannesburg

SOUTH AFRICA'S exports to black Africa declined in 1982 for the second consecutive year, according to annual trade figures published yesterday by the Commissioner of Customs and Excise.

Sales to other Arabic countries in Africa reached R924m (5578m) last year compared with R1.038m in 1981. The proportion to total South African exports has fallen from 7.6 per cent in 1980 to 5 per cent last year.

The figures include the trade of Botswana, Lesotho and Swaziland. Lower shipments of foodstuffs, maize and African countries' payments problems are probably the main reasons for the fall-off.

Nonetheless, Miss Sally Galloher, African area manager of the South African Export Trade Organisation, said that South Africa's market share appears to have risen in several countries, especially Zambia. The main items sold to black African countries include building and mining equipment, pharmaceuticals, foodstuffs and chemicals.

Published figures do not reveal the full extent of the trade, since the origin of many shipments is disguised. Miss Galloher estimated that total exports are about 50 per cent higher than the published figure.

South Africa's imports from Africa are a fraction of exports. Purchases totalled R329m last year, compared with R31.7m in 1981. Over three-quarters of the imports come from Zimbabwe.

According to the provisional trade figures, South Africa's exports to all countries rose by 5.1 per cent last year, from R15.1bn. Import values fell by almost 3 per cent to R18.4bn.

Britain signed a £20m mixed credit agreement with Zimbabwe yesterday, Reuter reports from Harare. The agreement consists of a new loan of £15m and a £5m grant previously pledged.

Fresh attempt to reduce trade tensions through Gatt

BY PAUL CHEESERIGHT, WORLD TRADE EDITOR IN DAVOS

A FRESH bid to find a mechanism for reducing outstanding trade tensions was made yesterday when both Mr Malcolm Baldrige, the U.S. Secretary of Commerce and Count Otto Lambsdorff, the West German Economics Minister, called for Ministerial meetings of the General Agreement on Tariffs and Trade (Gatt) every two or three years.

The first Gatt Ministerial Conference for nine years was held in Geneva last November and nearly floundered on sharp differences between the EEC and U.S.

Parallel to this call, Viscount Etienne Davignon, Vice-Presi-

dent of the EEC Commission, made a plea for the U.S. and the EEC to create areas of co-operation by extending their consultations to handle day-to-day problems. "What is most dangerous is brutal long-term issues, not just change," he said.

The calls were made during a discussion at the European Management Forum symposium in Davos devoted to transatlantic relations. They follow informal weekend meetings involving 40 Prime Ministers, senior Cabinet ministers and senior officials from international organisations.

The last Gatt Ministerial Conference was called both to address the question of protectionism and to chart the course of new international disciplines for the rest of the decade.

But Mr Baldrige noted that if such meetings are called

only every nine or 10 years the problems become too large to solve at one meeting. Count Lambsdorff observed that the November meeting many ministers agreed that nine years was too long to wait between meetings.

Count Lambsdorff also said that both the U.S. and the EEC should try to strengthen the Gatt. Their problems should be solved multilaterally, not bilaterally. Gatt Ministers should meet more frequently, he concluded.

These remarks were made against the general background of improvement in U.S.-EEC trade relations following the settlement of steel problems and the abandon-

ment by the U.S. of an imposed sanctions policy against the Soviet Union and the lower temperature of exchanges about subsidised farm trade.

Viscount Davignon sought to add a new dimension to the relationship by welding on to normal consultations consideration of longer-term issues, mentioning specifically high technology.

If his suggestion is followed through, there could emerge a common U.S.-EEC front against Japan, whose development in this area is of increasing concern on both sides of the Atlantic.

Mr Baldrige said that

Japan is the "largest threat to free trade." Later, he claimed that Japan was protecting its high technology industries until they were ready to compete worldwide. This was more serious than the beer and citrus question, he said.

The Reagan Administration has waged a vigorous campaign, so far with only limited success, to win greater access to the Japanese market for its agricultural products.

Reuter adds: Mr Bill Brock, U.S. Trade Representative, said he hoped the study on services trade that the Reagan Administration is doing for the Gatt can be completed by autumn.

The latest deal will be paid for partly by Russian deliveries to Perod Ricard of Stolichnaya vodka—a hot favourite among drinkers in the West.

The company, which says the order is the largest it has won from Moscow, gave no financial details partly because the compensation element in the negotiations complicates the calculations.

Deliveries will start in the spring, with the destination the Soviet market rather than the network of tourist shops which the company has supplied in the past.

ECGD backs Hong Kong loan

By Our World Trade Staff

The Export Credit Guarantee Department (ECGD) has guaranteed a project line of credit for \$8m which J. Henry Schroder Wagge & Company has made available to China Light and Power of Hong Kong.

The loan will help to finance the supply of high voltage cables, switchgear, transformers and related equipment and services to the Castle Peak power station project.

Exporters will receive cash payments from the buyer who will receive 85 per cent of the value of eligible contracts direct from the loan. To qualify a contract must have a minimum value of £100,000 and be placed by November, 1983.

In September 1981, ECGD announced it had guaranteed four loans totalling £235m for the Castle Peak Power Company (CAPCO) of Hong Kong.

New Zealand contract

CONTRACTS for a New Zealand Government geothermal electricity power station, which will cost \$2230m, are being let. Dai Haywood writes from Wellington.

Book holds key to exporting

By FRANK GRAY

BRITISH businessmen new to exporting will find their path to doing business overseas will be cleared considerably by a publication issued by the British Overseas Trade Board (BOTB).

It is the BOTB's latest Export Handbook. Containing 129 concise, thumb-indexed pages, the handbook is the most detailed yet published by the board, a unit of the Department of Trade.

Divided into 11 chapters, the handbook takes the business reader over virtually all the hurdles he has to jump to become a successful exporter

UK NEWS

Stock exchange forced to disclose dealing data

BY RAYMOND HUGHES AND JOHN MOORE

THE office of Fair Trading, one of Britain's business watchdogs, has forced the Stock Exchange in London to seek more information from stockbrokers and jobbing firms about a controversial type of share dealing.

Within the next month, the Stock Exchange will send out a notice to its members making the reporting of the volume of "put through" share transactions mandatory.

In "put through" deals, which have figured in many Stock Exchange investigations and scandals, share buyers and sellers are matched and bargains agreed at special prices. At present, the mandatory reporting of such deals is confined to the notification of the price at which the deals have been done.

The Office of Fair Trading is currently challenging the Stock Ex-

change's business methods in the Restrictive Practices Court.

In the Restrictive Practices Court yesterday, procedural matters were dealt with pending a formal examination of the Stock Exchange rule book next January.

Mr David Oliver, for the Director General of Fair Trading, said he was becoming increasingly concerned about the lack of response to a request made to the Stock Exchange in May 1981 for information about "put through" deals.

Mr Kenneth Parker, for the Stock Exchange, said the notice would make some information available, but only in respect of transactions from the date of the notice.

In further argument, Mr Oliver said that the Director General of the Office of Fair Trading would be submitting evidence about alternative business systems operated by

foreign stock exchanges. These include New York, Toronto and Sydney.

There were some exchanges, he said, which did not have single capacity dealings and a minimum commission structure.

A central plank of the Fair Trading office's attack on the UK Stock Exchange's business methods is its criticism of the separation of capacity within the market of brokers and jobbers, who are wholesalers of shares. In the stock market at present, brokers cannot act as jobbers.

The Fair Trading office is also critical of the fact that brokers charge a fixed minimum scale of commission.

Mr Parker said that the Stock Exchange was unlikely to put any evidence about alternative systems. It would respond to any evidence from the Director General.

Ministers on defensive over advertising nuclear policy

BY MARGARET VAN HATTEM AND IAN OWEN

MOUNTING CRITICISM of a Government plan to spend up to £1m of public money on an advertising campaign to promote its nuclear defence policy forced senior ministers onto the defensive yesterday.

Both Mr John Biffen, Leader of the House of Commons, and Mr Michael Heseltine, the Defence Secretary, sought to distance the Government from the plan, without actually denying it. They merely insisted that no decision had yet been taken.

Mr Heseltine is expected to delay his decision until the strength of the political opposition to the move is clearer.

In Whitehall, the Government's view is that several precedents exist for such a use of public funds in already being promoted. It is being

argued that the campaign is intended to inform the public of the availability of propaganda material rather than to present the material itself. It is also argued that the whole thing is the brainchild of the two junior defence ministers - Mr Peter Blaikie and Mr Geoffrey Patten - and that no Cabinet members have yet been involved.

The issue was raised in the Commons yesterday after weekend reports that the Government had consulted the US advertising agency J. Walter Thompson with a view to countering growing support for the campaign for Nuclear Disarmament (CND).

Both Labour and Social Democrat MPs are highly indignant over

Directors want EEC reforms

By JOHN ELLIOT, Industrial Editor
A CAMPAIGN to persuade the Government to be more aggressive in pushing for reforms within the European Community was launched yesterday by the Institute of Directors, at a meeting with politicians and other industrial organisations.

The event marked the first visible sign of an attempt by the institute and the Confederation of British Industry, the employers' body, to work together on specific issues instead of publicly attacking each other's policies.

Those at the meeting included Mr Douglas Hurd, Foreign Office Minister, Mr Peter Rees, Trade Minister, British and European Members of Parliament, and representatives of chambers of commerce, engineering employers, motor manufacturers, the self-employed and small companies.

The institute wants to persuade ministers to try to change the nature of the work of the European Commission so that more time is spent on encouraging free trade within the EEC and less time on directives that change national practices.

European Community proposals for directives on worker directors and employee consultation have caused the institute to focus its attention on what it calls the EEC's "social engineering" which it condemns.

It also hopes to co-ordinate views among British business interests on a wider front. It will be preparing a policy document.

A first draft presented yesterday covered policies such as the European Monetary System and the switching of aid from agriculture to industry, as well as free trade and worker directors.

Officials of the institute and the CBI are working together on the policies at the request of their respective directors general.

High Court move in textile merger battle

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

THE BOW over the proposed merger of Carrington-Viyella (CV) and Vantona, the Manchester-based textiles group, moved into the High Court yesterday.

Mr Alan Heyman QC, for Carrington-Viyella, said that a private company associated with Mr Joe Hyman, the former chief of Viyella who has been fighting the merger, was engaged in a delaying operation to stop CV shareholders making up their minds.

The allegation was swiftly denied by Mr Robert Wright QC, for Mr Hyman and his company Hope-speed.

The merger offer, which would create a company with an annual turnover of £150m and a workforce of 20,000, expired on February 9.

Vantona has threatened to call off the proposed £16m merger unless it gains acceptances from holders of at least 90 per cent of the equity. The present figure was about 84 per cent.

Hope-speed has lodged a petition under a section of the 1980 Compa-

Row over oilfield sale

BY IAN OWEN

PROTESTS by Conservative backbench Members of Parliament that a "go-slow" by the British Gas Corporation was impeding the sale of its 50 per cent stake in the Wytch Farm oilfield in Dorset to the private sector were endorsed by Mr Nigel Lawson, the Energy Secretary, in the House of Commons yesterday.

Mr Jonathan Aitken said there was growing concern about the "transparent delay tactics" being used by the corporation. He urged the minister to talk to its chairman, Sir Denis Cooke.

Mr Lawson replied that he under-

stood Mr Aitken's concern and "to some extent" shared it. He emphasised that the sale of the corporation's holding in Wytch Farm had been debated and approved by Parliament.

To government cheers, he said: "Certainly, it would be a very great mistake if those responsible for the sale were to cause the taxpayer to pay a less favourable price than he would otherwise have received."

Mr Lawson said he had "a great deal of sympathy" with the view of Mr Tim Eggar, when he criticised the role of Sir Denis Cooke in the matter and claimed that the corporation had put an artificially high price on Wytch Farm.

UK call for cuts in chemical production

By CARL RAPORT

MUCH OF the blame for weak chemical prices in Europe rests with continental European chemical producers who have yet to rationalise their businesses as thoroughly as those in Britain, according to Mr Robert Horton, newly elected chairman of the Chemical Industries Association (CIA).

Mr Horton, managing director of BP Chemicals, said: "The UK has done its bit and it is high time that the other countries in Europe followed suit." He claimed that a further 2m tonnes of ethylene capacity must be shut down in Europe before the industry can return to a sound footing.

In the past three years, chemical companies in the UK have shed nearly 65,000 jobs, which, along with plant shutdowns, has provided a real improvement in productivity of around 30 per cent, he said.

Although that has resulted in 100 per cent occupancy rates at many of the UK industry's plants, margins have yet to improve because demand remains weak.

But Britain's heavily depressed chemical industry could pull out of the slump by the end of the year. "We are probably over the worst," Mr Horton said yesterday at an informal press briefing hosted by the CIA.

"I am cautiously optimistic that we'll see a revival at the middle of the year, with growth rates in the second half of the year reaching 20 per cent, against a gross domestic product growth rate for the year of around 1.5 per cent."

Apart from increased productivity the UK industry was benefiting from the decline of sterling against the D-Mark. That would help UK companies regain market share from importers.

Import penetration in chemicals has grown from 32 per cent in 1979 to around 38 per cent last year, but the CIA is hopeful that this trend will be reversed.

The CIA welcomes the position where sterling is more in line with reality," he said.

Mr Horton repeated BP's view that the spot oil market should stabilise at around \$28-\$29 a barrel. That would mean that the prices of oil-based feedstocks for the chemical industry would also stabilise at their current low level. As a result, prices of petrochemicals should begin to recover over the next few months.

Mr Horton also criticised the UK Government for not helping on electricity prices.

"It is complete nonsense for the chemical industry to pick up the tab for government's past mistakes."

It was said that the petition was an impediment to the proposed merger going through, said Mr Wright.

"I desire to put in evidence that it does nothing of the sort. I wish to show there is an even more effective bar, for which I shall need to gather evidence to as share prices."

Mr Heyman said there was a strict time limit involved. The Hope-speed petition, he said, was a delaying operation "to stop people making up their minds by February 9."

Mr Wright said he strongly resisted any suggestion of deliberate obstruction. The matter will be back before the court again today.

THE PRICES of Japanese machine tools sold in Britain could rise by between 20 to 40 per cent in the next few months, major importers believe. This follows a sharp rise in the yen against sterling since November.

Importers and British machine tool manufacturers agree that a fierce tussle for market share will begin after April, when stocks of Japanese machines held by importers dry up.

Mr Joseph Perkins, managing director of Elgar Machine Tools, a B. Elliott subsidiary, said prices of the Japanese computer numerically controlled (CNC) machining centres and lathes sold by the company were being forced up by three factors.

To government cheers, he said: "Certainly, it would be a very great mistake if those responsible for the sale were to cause the taxpayer to pay a less favourable price than he would otherwise have received."

Mr Lawson said he had "a great deal of sympathy" with the view of Mr Tim Eggar, when he criticised the role of Sir Denis Cooke in the matter and claimed that the corporation had put an artificially high price on Wytch Farm.

Just before that, the Japanese

PACT WOULD HELP TO AVOID STRIKES IN KEY AREAS

Union leader calls for accord with future Labour government

By JOHN LLOYD, LABOUR EDITOR

THE LEADER of Britain's largest trade union called yesterday for a union pact with a future Labour government that would come close to ruling out strikes by key groups such as water workers, firemen and health workers.

Mr Moss Evans, general secretary of the 1.7m strong Transport and General Workers' Union, whose members are involved in the UK water dispute, said such a pact would be impossible with a Conservative government.

Mr Moss Evans, general secretary of the 1.7m strong Transport and General Workers' Union, whose members are involved in the UK water dispute, said such a pact would be impossible with a Conservative government.

He did not rule out a continued dialogue between the Trades Union Congress and ministers under a future Conservative administration. But he said the unions would not agree to a "new consensus" with a Government which expected unions to abide by the employment legislation passed over the past three years.

Mr Norman Tebbit, Employment Secretary, has held out the prospect of such a consensus if the Conservatives are returned after the next election.

"If a Labour government is elected, I think the unions would be prepared to conclude what you could term an accord. There are a number of important public sectors in which we have to devise a way of solving our problems without recourse to industrial action.

"No one wants to take away, in a free society, the right of workers to withdraw their labour. But there ought to be some practical arrangements made to make a stoppage of work in these sectors the last resort."

Mr Moss Evans has taken a hard pounding since he succeeded Mr



Mr Moss Evans

Jack Jones as general secretary of the TGWU in 1978.

He was soon faced with a Conservative Government armed with an anti-union mandate and policies which cut his 2.1m membership to 1.6m, though it has since increased.

Mr Evans conceded yesterday that unions would have little influence on a new Conservative Government, but added that they could not insulate themselves from government. They would be prepared to talk, for example, to the Chancellor of the Exchequer on economic policy, or to make a case for import controls.

Mr Evans said that the TGWU's threat of industrial action at Vauxhall in protest at planned imports of General Motors' new "S" car from Spain had toughened the Government's line on "fair trade".

This would not, however, amount to "tripartism as we understand it," and the unions would continue their fierce opposition to Conservative employment law.

"They could not lay down a quid pro quo - access to us if you have yourselves."

Mr Evans said that the 1982 Employment Act's ban on secondary action (against those not directly involved in a dispute) might provide the most likely "flashpoint" for a confrontation between unions and the Government.

New bid made to settle water strike

By PHILIP BASSETT, LABOUR CORRESPONDENT

FRESH PROPOSALS to increase water workers' earnings above the level of the employers' current pay offer of 12.3 per cent over 16 months were put last night to the National Water Council by officials of the Advisory, Conciliation and Arbitration Service (Acas).

Water authority employers were considering the offer last night, before returning to Acas again today, but Mr Len Hill, chairman of the employers' negotiating committee, said it could not be concluded that the talks were a preparation for an improved pay offer.

However, although employers' leaders said that the strike would obviously continue today, they would make no predictions for the rest of the week.

Lotus confirms car agreement with Toyota

By KENNETH GOODING

MR MICHAEL KIMBERLEY, managing director of Lotus sports cars, said yesterday that the company's agreement with Toyota Motor of Japan would be unaffected by the death last December of Mr Colin Chapman, the founder of the Norfolk-based company.

Mr Kimberley has recently returned from Japan after talks with Toyota. The Japanese company is one of Lotus' largest suppliers - its gearbox, differential and brakes are fitted to the revised Lotus Esprit launched last autumn.

It will supply the engine, gearbox and other components for a new Lotus sports car, codenamed the M90, which should be in production by March.

The intention is to produce about 5,000 of the car a year, with most destined for the US.

Mr Kimberley said that Lotus intended to produce about 800 cars this year, compared with 512 last year. He said a confirmed order had been received from the US for 350 cars to be delivered this year.

Lotus, he said, hoped that the report being prepared on its corporate and financial structure would be completed in four to six weeks time.

Optimism on jobs at Timex

By JOHN HUNT

MR FRED OLSEN, the Norwegian millionaire, told government ministers yesterday that there was no hope of saving the jobs of the 1,900 workers declared redundant last month at the Timex plant in Dundee, Scotland.

Mr Olsen, who owns Timex, was very optimistic, however, that the jobs of the remaining 2,300 workers employed there could be saved and said the workforce might even be expanded if new electronics projects were forthcoming.

Mr George Younger, Scottish Secretary, and Mr Alex Fletcher, Scottish Under Secretary, promised him that, as new investment was put into the area by his multinational company, so financial support from the British Government would also be available.

Mr Fletcher said later: "Details of any government package will be still being worked out. It could be a long-term thing. Mechanical watchmaking has been diminishing over a period. There are not likely to be any more jobs in that connection in Dundee. The 1,900 redundancies must stand."

Just before the closure of mechanical watchmaking at Dundee was announced, Timex had lost a contract to assemble the Nimslo three-dimensional camera at the plant. Mr Olsen told the minister that there was no chance of recovering the work.

At the moment the remaining workers are employed on contracts for Mr Clive Sinclair's desk computers and for IBM.

The redundancies have raised a future in Scotland, where the already-high unemployment rate has been worsened by a succession of major closures.

The Parliamentary Labour Party has taken up the issue and Mr Olsen has a meeting yesterday with Mr Michael Foot, the Labour leader, before seeing the ministers.

The ministers emphasised to Mr Olsen that, as Dundee is a special development area, any new developments he initiated would qualify for 40 per cent capital grants.

The meeting was described as "reasonably optimistic."

New

THE MANAGEMENT PAGE: Small Business

AT THE height of the Great Depression in 1931, Tom Berry was on the shopfloor of his Halifax machine tool factory when one of the office staff ran down to say there was a black man to see him at the entrance. Tom Berry had never previously Tom's curiosity because despite pressing problems, including a three-day week and the fact that he had not been able to sell any of the 27 completed machine tools lying about the plant, he took the time to go upstairs.

The visitor introduced himself as Erich Engineer, and said he was a merchant from Bombay. Didn't Berry have any latitude to sell? "I'm not certain," said, but whether he was optimistic about a sale as he led his guest down to the machine shop is not recorded.

Mr Engineer, however, bought all 27 machines and promptly wrote Tom a cheque for £5,000. From then until 1949, just after Indian independence, he acted as Indian agent for the small, family-owned manufacturer, and bought another 1,200 machine tools.

Today Tom Berry's great nephew, Frank Berry, still has a framed picture of the Engineer family in his office. "I am convinced that if that chap hadn't knocked on the door we would not be here today," he says.

Three years into what has arguably been the most traumatic time for the British engineering industry since the 1930s, Binns and Berry Brothers is still making lathes in Halifax, has just returned to a site it left in 1917 following the demise of another machine tool maker, John Stark, and is quietly confident of record sales in 1983.

"We have been lucky," says Frank Berry, anxious not to tempt fate. "I have a feeling business is improving. It's a matter of producing the right thing, a matter of bending to the customer's whims and fancies."

Binns and Berry, founded in 1898 by Tom and Harry Berry, along with Ned Binns, who died in 1912, is one of the very few family-owned machine tool makers in the country. Frank Berry and his brother, Harry, today form what could loosely be called the senior management. Frank's son, Michael, who has been posterity about the shopfloor since he was 10, is a director and production manager and his sister, Susan, is in charge of the refurbishment division. Their mother, Mildred, does the books.

Apart for a short period two years ago, none of Binns and Berry's 70 staff has been on short-time during the recession.

Peter Bruce on Binns and Berry Brothers

A family affair

"Thirty years ago we decided we were a small firm and to concentrate on making the best machines in our range. It was the best thing we did."



The Berry family (l to r): Harry, Frank, Mildred, Michael and Susan

Of 10 workers made redundant in the past few years, five are back.

Despite the humpn, almost Victorian, flavour of management at Binns and Berry—it runs a steady overraft but has never raised any money on the markets—Frank Berry insists that there is no magic formula to keeping head above water during recession.

If anywhere, the key to survival, in a period that had claimed at least half a dozen well-known machine tool manufacturers, is the product, which other manufacturers concede is very good. Unlike many rival machine tool builders, Binns and Berry only makes one basic machine, a lathe.

"Thirty years ago we decided we were a small company," says Frank Berry. "We decided to concentrate on making the best machine in our range. It was the best thing we ever did. We think it's an age of specialisation... if you're going to cast a wide net it means you can do everything, but only fairly well."

The chosen machine was a centre lathe, a type common to machine shops around the world. Last year the company began to market, at a competitive £55,000 a piece, a computer numerically controlled version, its first venture into CNC technology. The "Trident 80" turns out to be the eighth redesign of the machine the design of CNC lathes, the

company began to concentrate on in 1951. True to family tradition, Harry Berry has masterminded all the changes in design.

Some 26 orders have been won for the machine, which looks like no other CNC horizontal lathe being produced in Britain (or Europe for that matter). Luck, probably in the form of a lack of the kind of development capital bigger manufacturers have used to create a new generation of CNC lathes, appears to have played its hand again.

Where the leaders in the industry, in the UK and abroad, have allowed the new technology to dictate the broad design of CNC lathes, the

Binns and Berry entry still looks like the conventional machine. The family is convinced this provides their product with an enormous psychological advantage on the shopfloor.

The brothers have nevertheless gone out of their way to make sure their basic design is flexible. One-off sales of conventional machines include a lathe to machine the ends of pipe line with a 10 foot diameter, almost double the size of the largest specified swing, and a more eccentric version which has been stood on its end by a grateful buyer.

Although the Berry Brothers have developed their CNC machine without substantially

disturbing the component pattern of the conventional tool, it has cost them. Profits are never made public, nor dividends paid, but £200,000 had to be spent over four years developing a computer control system. This was done in conjunction with a small Andrew Electronics company and Binns and Berry now markets the only British CNC machine tool with a captive, British designed control system.

Development of the new machine has kept the company in loss for the past two years at least. Frank Berry, however, believes that is academic, as whatever profit is made on trading is likely to be ploughed back into research or ex-

"We're not here to make a quick profit," he says. "It's more to try to continue. We've never declared a dividend and we have shareholders breathing down our necks. We're in business to provide a service... we're interested in engineering."

Fortunately, for the cynic who might find that level of commitment difficult to deal with, there is something of the expansionist in Frank Berry. "We could treble our turnover," he says, "but as a family business, if we are going to do this we are going to need help, a partner or something."

"We would find it very hard to submit to a majority partner. But then again, it's what you want to do; how fast you want to grow." Berry is not yet sure of his next move, but Binns and Berry wants to grow, but there have been approaches from potential partners in the past and, according to some specialists in the City, others would not be too difficult to find.

Meanwhile, Binns and Berry which keeps one of the lowest profiles in the industry, is doing very nicely—thank you. Turnover this financial year should return to an average of around £1.5m after dropping to £1.3m in 1981. Margins, which have dropped from around 9 to 10 per cent on sales in the UK to below 5 per cent in some cases could begin to strengthen if an increase in inquiries in December, also noticed by other manufacturers, comes to fruition.

While the Berry family, along with the entire UK machine tools industry, waits for signs of upturn in their domestic market, they have, says Frank, been doing a "tremendous export" trade. In Mr Engineer's heyday, the company was selling 95 per cent of its machines to India. From 1942 to 1980, exports dropped to 30 per cent of turnover but since the beginning of the recession three years ago this has crept back up to 50 per cent.

THE commencement yesterday of the formation of the British Venture Capital Association is a sign of growing maturity within the venture capital industry in this country.

Cooksey says: "I think we have an impressive cross section. I reckon that the members represent about £200m in the £300m available in the UK for this type of investment."

Nevertheless the absence of ICFC and TDC in particular begs the question just how representative the new association is. In the financial year 1981-82, ICFC completed over 1,000 deals amounting to more than £100m and while much of this was straightforward lending the figures include investments in 440 companies under three years old (all in areas of high technology).

ICFC, of course, is primarily a "hands off" investor—in other words it does not get closely involved with management of the companies it backs and to many people does not therefore fit into a "pure" definition of venture capital (or match the criteria for the new association).

On the other hand, TDC (very much a "hands on" institution) certainly does.

David Cooksey, managing director of Advent Capital and BCVA's first chairman, explains that, broadly speaking, the association's articles require institutions to be "equity orientated, involved with the management of the companies they back on a close partnership basis rather than as a rather remote lender and interested primarily in minority stakes."

Initial members include American-controlled groups such as the APA Venture Capital Fund and Venture Founders Fund and the Venture Risk Fund, the biggest fund set up under the Government's Business Start-up Scheme, and public sector representatives such as the British Technology Group, the Scottish Development Agency and Hafren (the venture capital side of the Welsh Development Agency).

The association (which has grown out of the venture capital forum, an informal "talking shop") aims to provide a forum for discussion of venture capital issues: to represent the "industry" in discreet discussions with Government; and to set minimum standards for the protection of investors and investee companies.

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EDITED BY CHRISTOPHER LORENZ

Venture capitalists group highlights an element of disunity

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IN BRIEF

A NEW guide to government industrial incentives has been produced by accountants Peat Marwick Mitchell. Evidence suggests that while small firms are generally aware that assistance is at hand, actual knowledge and use of schemes is limited. The information in this book will be updated through Prestel. Available from the Publications Administrator, Peat Marwick Mitchell, 1 Pudding Dock, Blackfriars, London EC4. Price £1.

Tim Dickson

GOFF Taylor, managing director of TDC, said that at this stage "I am still unhappy about some of their detailed plans. If it can be a really effective association though, I think we should be a part of it and be a big player."

IN BRIEF

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TECHNOLOGY

VIDEO AND FILM BY JOHN CHITTOCK

Surprises in the industry

THE LAST 20 years have been more spectacular for the audio-video media than, arguably, any other industry bar computers, space travel and integrated circuits. Growth and development over the last two decades has equalled the spread of television, the improvements in videotape recording, even the relentless progress in the oldest medium of them all—still photography.

The changes have been both quantitative and qualitative, and although the scope for continuing improvement must diminish, the industry is forever full of surprises. Last week, for example, Kodak announced a new family of film stocks for 35 mm still photography—joining the recent Kodacolor 1000 film, which is over 20 times faster than colour film of the early 1960s.

These improvements in photographic emulsions exemplify how the image-makers never give up. The Kodacolor 1000 emulsion is based on a new technology in photographic chemistry—effectively employing different silver halide grain shape, flatter than conventional grain, and thus able to absorb more light.

The new family of 35 mm films does not, however, use this high speed photo-chemistry but instead breaks the vicious triangle which in the past meant that sharper pictures, faster emulsions and finer grains were interdependent—improvements in one characteristic could be made only at the expense of one or the other. The new films are claimed by Kodak to set new standards in all three criteria.

As electronic media have challenged photo-chemical systems, this quest for quality has been the major line of defence for the photo-based industries. Again this was exemplified last week by an announcement from Hasselblad—makers of the superlative 6 x 6 cm single lens reflex camera: they are now introducing a 6 x 6 cm slide projector with a rotary magazine holding 80 transparencies. Suddenly, 35 mm slides may seem dull and fuzzy.

Sparkling, bright, crisp quality is certainly a powerful weapon against video—which in its consumer versions leaves plenty of room for improvement. Could there be a backlash coming? Unlikely, but a statistic that will surprise many in the industry also came last week when the British Indus-



Stanley Kalms, chairman of Dixons: Video sales will be at the expense of 8mm film

trial and Scientific Film Association gave details of the entry for this year's Film and Video Festival.

Although video is now eroding the dominance of film—in 117 out of the 281 entries in this festival which until recently was wholly film—the number of film production shot on the 35mm gauge of the commercial cinema has actually gone up (from six to eight).

The problem for photographic systems in the market place remains however, inescapable. The just-announced chip in profits at the Dixon retail chain brought with it a statement from the chairman that video cameras will sell well this year—and there is certainly plenty of evidence that such growth will be at the further expense of 8mm film systems.

For example, the bastion for home movie-film producers has always been the monthly magazine *Movie Maker*, which for 46 years has been running the annual Ten Best competition for amateur films. But this year, the magazine has also started its first ever video contest—the results of which have just been announced.

For the traditionalists who despite poorly made, fuzzy, home video productions, the contest has been a surprise. In the words of Managing Editor Tony Rose, the five best winners were "outstandingly good... as fluently (edited) as films and without any noticeable sacrifice of picture quality."

There is a nasty irony in this story, however. About three years ago, the same magazine tried to move to a conference tape video for the photographic retail trade and had to cancel it through lack of interest. In trying to blaze a trail, *Movie Maker* found itself almost alone, and generated a fierce correspondence over the whole subject.

With a few exceptions as exemplified by Dixons, the photographic retailers have allowed TV and VHS shops to now take the high street lead in video. Even the magazine *Photo-Graphic*—*International Photographer*—reveals a quaint attitude to video in its current issue ("whilst on the subject, it would be good to hear from other readers who have run into this 'strange animal' as Mr Foss describes it"); but at least they have started an audio-visual section.

The astronomical growth in video has caused its problems, not least of which is the obsession with statistics instead of quality. Supporters of the video disc will be jubilant to hear that disc sales in the U.S. in 1982 were 150 per cent up on 1981; and that 3 per cent of the American Film Institute's members now own video disc players.

How many in the industry will worry, however, about a justifiable complaint heard from one producer last week, namely that the picture quality of his optical video disc copies was as good as the U-matic videotape versions, when theoretically it ought to be better? At VIDCOM in Cannes last year, I must confess that all the optical video disc systems on display except for one Sony industrial model were not yielding the quality I have seen on other occasions—almost certainly due to the discs rather than the players.

The video industry is aware of quality problems, but the pressure from the booming statistics does turn it into a mass production business where quality control cannot be so leisurely as in the film business. Last week Rank Phicom Video claimed a world record of 290,000 videocassettes duplicated in the six week period before Christmas—and whereas Rank do have excellent QC, these figures reveal what a dramatically different business it is than for example 16mm film printing.

LASER CARD EQUIPMENT LICENSING

Three more companies in memory agreement

BY GEOFFREY CHARLISH

THREE MORE major electronics companies have signed laser card equipment licensing agreements with Drexler Technology Corporation of Mountain View, California.

They are NCR, Ericsson Information Systems (which has just formalised its presence in the UK), and the Israeli company Elbit Computers. They follow Toshiba which was the first to sign in November of last year.

These licensees will get equipment information, non-exclusive licences to equipment patents and distribution rights for the Drexler laser/optical memory cards. Four types of

card equipment are being developed for a recording stripe measuring 80 x 35mm. The cost per bit stored is very low and the technique offers good security against fraudulent use.

One is a laser recordable blank for direct read after write applications. The other is an "optical" card for read-only purposes which is to be factory recorded using a high-speed lithographic process.

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by laser light.

However, it contains very little silver (about one cent's worth) and is produced in 1,000 bit rolls on a continuous basis.

There are two types of card.

One is a laser recordable blank for direct read after write applications. The other is an "optical" card for read-only purposes which is to be factory recorded using a high-speed

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The result is a capacity of about two megabytes for a recording stripe measuring 80 x 35mm. The cost per bit stored is very low and the technique offers good security against fraudulent use.

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The result is a capacity of about two megabytes for a recording stripe measuring 80 x 35mm. The cost per bit stored is very low and the technique offers good security against fraudulent use.

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THE ARTS

Max Ophüls Prize/Saarbrücken

Ronald Holloway

Far and away, the most unique film festival on the German scene today is the Max Ophüls Prize in Saarbrücken, now in its fourth year in an early January slot. This year, the festival had to be extended an extra day, January 19-23, to accommodate the 27 entries selected from the 52 sent for consideration. And an audience of over 5,000 meant jammed foyers and comfortable but limited seating in Camera One and Two on the Berliner Promenade overlooking the Saar River.

The Federal Republic of Germany has several well attended film festivals. But, as the only German film festival with an open-ended democratically organised competition for all German-speaking lands (FRG, GDR, Austria and Switzerland) the Max Ophüls prize is special.

It is called after a native son who has written with some affection on his youth in the city and has now turned in a series with a full retrospective of his German, Austrian, French, and American films in 1978. On that occasion Albrecht Stahl, the manager of the Stadttheater Camera, decided to risk in the following year a competition in the director's name.

"If we had shown all 52 films sent for consideration we would have had to extend the festival for a week and hope the jury won't go on strike."

The four subsequent winners—Niklaus Schilling's *The Will-Busch Report* (West Germany) in 1980, Frank Rippohl's *Tatort am Rhein* (West Germany) in 1981, Clemens Klopfenstein and Renzo Legnani's *All Night Long—Bewußt* (Switzerland) in 1982, and now Niki List's *Malaria* (Austria) are all comedies or tragic-comedies that point to new trends in the direction of an appetitive movie-going young public with a measure of critical taste.

The success of the venture is verified by a doubling of the entries and attendance over the past four years: 12 West German entries in 1980, 19 West German in 1981, 32 Pan-German in 1982 for an audience of 3,044, and 27 selected entries from four lands for an attendance of 5,029.

"If we had shown all 52 films sent for consideration," remarked festival director Stahl, "we would have had to extend the festival to a week and hope the jury don't go on strike." Next year, larger quarters in an additional cinema are a must among whenever changes are made — possibly earphones for foreign guests as well.

Bridge

Saarbrücken is an industrial city with a history of changing fortune as a border city harried by two world wars. Its first mayor, Oskar Lafontaine, is a coming figure in Social Democratic Party circles if only because he made a few headlines by inviting another born-and-raised Saarbrückener, East Germany's Party Secretary Erich Honecker, to pay a state visit to the Saarland and the latter has given every indication of accepting the invitation in the near future.

In this climate of a festival as a "national bridge," Saarbrücken has thrived upon quality film productions from the German-language lands—including the German Democratic Republic. Further, the former West German Minister of the Interior, Gerhard Rudolf Baum, delivered an opening

address at this year's festival on "Der junge deutsche Film—Consequences of the Cultural Film Subsidy Programme in the Federal Republic." His speech paid particular tribute to the so-called "New Generation" or "New Cinema" movement, of which the Max Ophüls Prize is the festival clarion call.

Niki List's *Malaria* scores as a rib-tickling satire on the punks, bar-madames, long-drinkers, carnival-costumes, and other absurdities of the Vienna Night Scene. The film motifs come from B-Westerns, comic movies, and horror classics of Hollywood's hey-day, the whole coated with a lush, inane musical soundtrack common to the *Neue Deutsche Welle* trend. There's no plot to speak of: the eponymous bar simply opens and closes, while the clientele hangs around as he or she pleases from dusk to dawn.

Favourite

An audience favourite from its first screening was Werner Masten's *The Pleasure of Washing One's Hands*—listed in the programme as an Austrian production, but in truth produced by West Germans, set in South Tyrol (Südtirol) of northern Italy and in German Switzerland, and filmed in Italy and Austria. The fate of Südtirol since the First World War was congenital to Italy, and not even the Hitler-Mussolini pact changed the allegiance back to Austria or the Third Reich (as the popularly desired).

The film, based on Joseph Zoderer's novel of the same title, recounts the author's childhood during and shortly after the Second World War in Südtirol Graz in Austria, and a Catholic boarding-school in a Swiss convent (where the poor lad experienced for the first time the pleasure of washing one's hands with a bar of soap).

A round dozen of the 27 entries deserve comment. Peter F. Bringmann's *The Heartbreakers*, opening with some 50 copies across Germany during the festival week, remarks the director and scriptwriter, Matthias Seelig, as the most accomplished team on the scene today for young audiences. Their previous success was the box office winner, *They Against the Rest of the World*. The *Heartbreakers* is the story of a Gelsenkirchen rockband in 1986 struggling for recognition, each member of the group a personality geared to amuse the teeny-bopper in the back row.

Feeling

Seldom have so many contemporary comedies been on display at one festival. *Malaria* and *Heartbreakers* were crowded by Dieter Körber's *Wild Bunch* (another prize-winner), Friedemann Beyer's *To Vienna*, Manfred Stelzer's *Stoned*, Rigo Manukoff's *Put Up or Shut Up*, and Gabor Altajor's *Tschekowez*, among others—all from West Germany. The East German entry, Karl-Heinz Heymann's *Djibouti to Become Engaged*, offered a detailed portrait of youth in a Socialist society that allowed for several points-of-contact.

The Swiss entry, *Nino Jacusso et al. Frau Ricordabu's Close Whispers*, minutely observed the details of a class of 18-year-olds just before graduation. The screenplay was written by the participants themselves and based on their own experiences. A diploma film at the Munich Film School, Lutz Konermann's *Auf der Mauer*, treats the fate of a life in prison with remarkable feeling for both the subject and its unique film opportunities: a man's freedom after 30 years behind bars.

Saarbrücken was memorable. It will surely continue to grow in prestige with the years on one aspect alone: competition for the best of German-language New Cinema.



Sovereign sitters on view at the Queen's Gallery

Every so often it is permissible to play to the gallery. *Kings and Queens* at the Queen's Gallery is just such a romp. All the learning and gravity that one expects of an exhibition organised and catalogued by the Surveyor of the Queen's Pictures, Sir Oliver Millar, is there but this time it is worn lightly. The accent is less on art than on anecdote. A watercolour of Queen Victoria as a baby is linked to her father's description of her as "rather a pocket Hercules and a pocket Venus." Van Dyck's sonorous, state likeness of Charles I brings life to Philip Warwick's observation "the boy was far from pride, yet he was careful of majestic."

This is a happy exhibition, untaxing and delightful, whose emphasis is on royal faces and personalities through the centuries with only occasional forays into the more profound aspects of what still remain icons to be read within terms of their period.

What struck me most of all was the enormous strides that have been taken in the study of royal portraiture since the last war. Virtually none of the 140 faces assembled here escapes the overtones arising from reality quickly dissolving into mask and image. Royal portraiture as we know it was a creation of the mannerist and baroque periods, when Europe consolidated itself into a series of nation states and in which the tide flowed decisively in favour of absolutism.

They witnessed the revival of the use of ruler images as a potent means of projecting a

dynasty and holding the focus of a people divided often in terms of class, religion or ethnic origins. The rediscovery of the cult of the imperial likeness under the Roman Empire was a powerful impulse and gave new life to long dead forms or ones that had been revived in the middle ages only in successive renovations.

Out of this was to come the heroic equestrian portrait, the medallic profile, the sculpted bust and the paraphernalia of imperial greatness: eagles and orbs, classical garlands and dress, the attendance of mythological deities in which a ruler was seen to be part of Olympus.

So it is that Elizabeth I issues from her palace to eclipse the awaiting goddesses or Anne of Denmark turns her unattractive profile as Empress of the revived Empire of Great Britain or *putti* float in the air above Frederick, Prince of Wales.

The grip of manufacturing these state images pulsates down the centuries to King George VI's agonies with Sir Gerald Kelly. He "did not like wearing his coronation robes... He put them on, but he was self-conscious and uncomfortable." I remember well as a young man going to Kelly's studio and watching through the racks of canvases a series of nation states and in which the tide flowed decisively in favour of absolutism.

A reminder of the advance in research comes too in the allusions to dendrochronology, the science of dating panel pictures by the tree ring growth. This is revolutionising a

the map of 16th-century painting, establishing that what we long accepted as the earliest set of royal portraits by Henry V, Henry VI and Richard III were in fact painted c.1518-23 as part of a palace decoration scheme for Henry VIII. The Edward IV turns out to be even later, dating from the 1530s.

It is equally true that vast tracks of research remains to be done. When I published *Portraits of Queen Elizabeth I* in 1963 it was the first monograph on the iconography of a British sovereign in this century. Although now dated, it has spawned no successors. The National Portrait Gallery catalogues attempt to categorise briefly the portraits of our monarchs but there are no separate studies even of Charles I or Queen Victoria. Yet we have lived through a mushrooming of art history schools and courses throughout the ranks of canvases that all share of George VI and Queen Elizabeth. Kelly must have maintained a small factory producing them.

This brings me to dress. Although we await with eagerness Janet Arnold's gargantuan study of Gloriana's wardrobe that survives, no such work has been undertaken in the modern period. The accounts in the Public Record Office could not doubt turn up payments for most of the clothes seen in these pictures but this remains to be done.

Indeed this is what is interesting about the catalogue entries compared with those which would have been written 30 years ago. Then they would have been entirely biographical

and stylistic, but now the wider context of symbolism and meaning is admitted, with contributions from other new fields of knowledge such as furniture history. Costume is yet to come.

This exhibition is to me pure nostalgia because I am taken back to that boom year for kings' and queens' exhibitions.

1953, when there were three major ones in London, Liverpool and Manchester. It is also fascinating to see so many old favourites reappear in a different context. The Stubbs's portrait of George IV swimming along by the lakeside, or the miniature of Henry VIII that have figured in other exhibitions at the Queen's Gallery.

There are few more extraordinary phenomena in this day and age than the hysteria surrounding a major royal portrait. One hundred and fifty journalists besieged the National Portrait Gallery on the occasion of the second Annan portrait of the Queen which engendered mass outrage at the time. A similar panic-station followed over Brian Organ's Princess Margaret, only to be eclipsed by his Princess of Wales seated before a door apparently without a handle.

These manifestations have nothing to do with art, but they are a potent index of the make-up of the average British psyche. They are vital evidence that a royal portrait is the only form of art that is capable of evoking any form of passionate response by the teeming populace. Perhaps an exhibition of kings and queens is, after all, a new form of community arts.

That's all business. The

designers (Michel Lebois and Michel Dussarat) had contrived a pop-up theatre book; and to its ingenious devices and rainbow colourings there were at various times added falls of balloons and streamers, entrees of couriers, townsfolk, and carnival fun-figures (such as the procession of human Mummers bottles in praise of drink), endless pluggings and repetitions of visual jokes. On and on the fun-fair went, often mildly amusing in its own right, always tiresome in its distractingly high spirits. Offenbach is essentially about and for adults — beneath the musical mockery of Meyerbeer, *Fidelio*, and

Rossini, a fellow American



Maria Ewing

Donizetti's *La Forzita*, *La Périchole* can also disclose some uncomfortable views of the easy prostitution of the poor artist by the rich and powerful. Because Mr Savary failed to perceive and transmit the sharp, unsettling side of Offenbach, the sum of his efforts ought to have been a cop-out.

Because of its principal trio, indomitable under the heaviest fire of fripperies, it was despite everything an evening of authentic Offenbach. Miss Ewing's talents extend before us like some as yet incompletely charted ocean. The charms of a face, a figure, and a warm, zesty mezzo-soprano already shown to be apt for Mozart, Rossini, Berlioz, and Strauss, were translated before our eyes and ears into a total mastery of Offenbach style. Each syllable of "Mon dieu, que les hommes sont bêtes!" had the audience in painful pangs of mirth; like all born comedienne, Miss Ewing knows how to assume the manners of both dowager duchess and ingénue (sometimes in the selfsame moment); the balloons and streamers receded from consciousness, and the fusion of verbal utterance and merry situation took absolute hold. To the pensive moments of the plot, she brought a brisk, matter-of-fact pathos that was the invention of an artist of wonderful individuality. Was the *Périchole* of Hortense Schneider herself any better than this?

Credible

Rossenhein, a fellow American recently admired in the Scottish Opera *Egisto*, is a performer, slim, bonny, and mercurial; his Piquillo proved wholly credible as a street-singer and lover, deftly good-humoured, an uncommonly appealing leading man who also happens to be a "real" lyric tenor. Beneath the smiling fatuousness of Bacquier's Viceroy one caught glimpses of a capricious cruelty that only seemed to hover on the edge of his drollery. I hungered to encounter these three players in *La Belle Hélène* and *La Grande Duchesse*; by the success of this *Périchole* they have instantly formed themselves into an Offenbach repertory company. Its musical director could well be Marc Soubrot, the Geneva conductor; for despite the rather unfestive mood of the Suisse Romande Orchestra, he evinced an excellently appreciative command of the score's colour, rhythmic energy and melodic prodigality.

Arts Council re-allocates drama grants

The Arts Council has withdrawn its revenue subsidy to two theatre groups—Common Stock Theatre Company and Covent Garden Community Theatre. Both companies were warned last year that they were likely to lose their subsidies for 1983-84.

But two popular drama com-

panies, the Actors Touring Company London and the Black Theatre Co-operative are to receive revenue subsidies for 1983-84 for the first time. Both groups had previously received subsidies for individual productions.

The Actors Touring Company London have earned a high reputation for their adapta-

tions of literary texts and have toured throughout Britain since 1978. *The Provok'd Wife*, *The Tempest*, *Don Quixote* and *Ubu* are among their productions. ATC are currently presenting five of their productions at the Donmar Warehouse Theatre, London.

The Black Theatre Co-operative, currently working on the

Channel 4 situation comedy *No Problem*, was founded in 1978 to give more opportunities to black actors, writers, directors and technicians. *Trinity* by Edgar White and *Fingers Only* by Yemi Ajibade are among their most recent productions.

ANNALENA MCAPPEE

F.T. CROSSWORD PUZZLE NO. 5,086

ACROSS

- Load the price (6)
- Water in Germany upset swimmer (6)
- Cornish consumer wear (7)
- Curtail a game (7)
- Rough round Samos passing from sea to river (10)
- Such as Pope Joan, courageous (4)
- Ghanaians people join supporter at half-time (5)
- Sounds smart little French bag (8)
- Midday—upper class people go in for something unknown (8)
- These days it's fast (5)
- Prison heads still treat inmates roughly (4)
- Tarnished material does polish (10)
- One in conspicuous case (7)
- On publication, leader of insurrection disappears (7)
- Show five into a German church (6)
- Please order wood (6)

DOWN

- He tries to get in lodges makes company pale (5)
- Where an evil fellow may end up? (7)
- Telescope for little boy or Scotsman (9)
- One hundred supporting issue—could be a boom (5)
- Partly expected Open

6 Hair style suitable for the beach? (7)

7 Instrument of industry (9)

10 Way on board to meet a friend (9)

12 One's first reading? (5-4)

15 Surprisingly, dry places have a water-clock (9)

17 Drink discovered in one vehicle overturned (9)

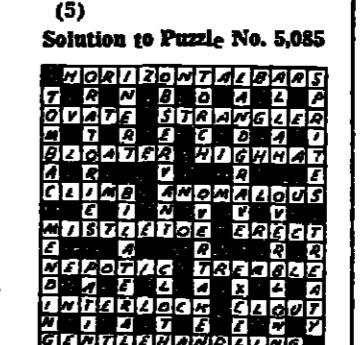
19 Stiff hair comprising brown fibre (7)

21 One hundred supporting issue—could be a boom (5)

22 Partly expected Open

University to reject poetry (5)

Solution to Puzzle No. 5,085



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Chilean model under strain

JANUARY was not a good month for the Chilean economy. Twelve companies belonging to two of Chile's most powerful financial and industrial conglomerates, Cruzat-Larrain and BIC, collapsed. With international reserves dwindling fast the government of General Pinochet was obliged to go to the International Monetary Fund for a credit of \$882m (£2380m), and over the weekend the government had to go to its international creditors to seek a rescheduling of public and private sector debt. All these developments have raised questions about the market orientated model of economic development adopted by the General when he came to power in September 1973.

In a recent speech Sir Rolf Lüders, the minister of economy and finance, made a spirited defence of the achievement of the government over the years. The Chilean economy, he said, had grown by about 26 per cent between 1973 and 1980 while the rate of inflation which had been very high during the last year of the rule of Dr Salvador Allende had by 1980 been brought down to 31.2 per cent. Foreign reserves grew to \$3bn and for several years there was a budget surplus. "Free enterprise availability of resources together with fiscal discipline," he concluded, "allowed the chosen scheme to originate rapid and stable economic expansion."

Expansion

At the same time Sir Lüders was too honest to draw a veil over one great shortcoming in the generally orthodox policies adopted by his predecessors in office. While tariffs were reduced, exchange movements freed, and monetary controls dismantled, the international parity of the peso was maintained at an artificially high level.

While foreign bankers were keen to get Pinochet's Chile back into their portfolios, Chilean borrowers were afraid to get their hands on foreign loans which could be serviced at the advantageous rate of exchange. "Expansion at such a rate could not last long if the country could not have generated the resources to serve its resulting debt," commented Sir Lüders with the wisdom of hindsight.

Chile's domestic crisis dates in great part from last year when the unrealistically high rate of exchange for the peso was at last relinquished because lending was affected by worries over Chilean indebtedness, and

Latin American debt in general.

The U.S. dollar soared from 39 pesos to a price of 74 pesos. Those companies who had taken money from foreign lenders at the first rate were hard pressed to service it at the second rate. The difficulties of the commercial and manufacturing sectors have now rebounded onto the banks and companies, many of which are in dire straits.

These difficulties were compounded by the problems of Chile's major industry and export earner, copper mining. In real terms the international price of copper is no higher today than it was a decade and a half ago. Chile's export earning power has proved incapable of meeting the revalued commitments represented by a foreign debt which today approaches \$17bn.

Question

For foreign bankers the Chilean problem is aggravated by the fact that two-thirds of the foreign debt is owed by the private sector. The Chilean Government, however meaningful its nods and winks to lenders have been in the past, has inadequate reserves and no wish to take upon itself the repayment of the outstanding amounts.

A question must arise about how the international lending agencies failed to prompt Chile to correct the official value of a currency which bore so little relation to its real worth. Foreign banks must be holding their own post mortem on how they came to commit so much money to such a frail vessel.

Sir Lüders, when he says that the Chilean economic strategy will now have to undergo major reforms before it can look forward again to a period of growth.

Sir Lüders argues that the financial strains now affecting the Chilean economy can be corrected through appropriate monetary and fiscal measures and that the country will continue to rely upon free markets and an open trading policy. The Chilean model of economic development, so different from the inward looking and dirigiste policies of many developing countries, has been damaged by the financial crisis. The principles behind the Chilean Government's approach remain sound but the Government must now deal with the consequence of a lack of financial discipline which flawed their implementation.

The Germans had to offer to pay 80 per cent of salaries to get one scheme off the ground and the Danish Government, which had promised a job to anyone out of work for over

THE HISTORY of attempts to create new jobs in Europe since 1974 is a tangled and rapidly changing thicket of various approaches.

In a country like Sweden, with a relatively stable political and social climate, there is a good deal more coherence than in, say, Britain, where new schemes come and go almost as rapidly as the weather changes.

Whether the systematic Swedes have done better than the restless British or the more modest Germans is part of a debate which clearly cannot be confined to the subject of job creation.

Other questions to arise are these: what are the practical limits to this type of selective intervention? To what extent is it part of a considered and valid response to structural change rather than a mere palliative?

Direct job creation in the form of make-work schemes is the simplest and the most widely applied type of measure because it is the only guaranteed way of making sure that money spent actually creates jobs for the hardest to employ—those who have been out of work for a long time or suffer significant handicaps on top of lack of skills.

In several countries the term "disabled" is applied to this entire group. The type of work offered is mainly of the environmental wash-and-brush-up variety, organised predominantly by local authorities and voluntary organisations, such as churches.

Such schemes are attractive to governments because they tend to have quite low cost, since older long-term unemployed people are often receiving very high benefits when out of work. The German Federal Labour Institute argues vigorously that its relief work scheme actually results in a net inflow to the exchequer, but because of the peculiarities of the financial arrangements for these things in Germany the job creation budget comes out of the unemployment insurance fund, so as unemployment rises there is less money available—the number of places available has fallen from over 50,000 in 1975 to under 35,000 this year, at a time at which the need for them has increased.

An OECD study of make-work schemes in five countries, however, suggested that net costs after benefit and tax flows amounted to between 55 and 60 per cent of gross costs, figures which are roughly in line with British experience.

But it has been the belief that these schemes are little more than palliatives which has led several countries—France is a good example in its latest round of measures—to try to insist that the schemes it finances for the long-term unemployed also involve genuine training.

All of the problems created by mass unemployment, this question of how to deal with the long-term unemployed—of whom there are 4.5m in the EEC alone—is the most serious. Experience in several countries suggests that private sector employers, who everyone agrees should be centrally involved in the training process, show strong resistance to taking on these people even when offered very large financial incentives.

The Germans had to offer to pay 80 per cent of salaries to get one scheme off the ground and the Danish Government, which had promised a job to anyone out of work for over

Unemployment in Europe

Concluding a four-part series

New jobs... easier said than done

Ian Hargreaves reports on job creation in Europe

two-and-a-half years, then found that the 75 per cent wage subsidy was not enough to persuade the private sector to get involved and ended up employing most of the people itself.

France is backing up its effort with a commitment by its employment agencies to re-interview every long-term unemployed person in the country in an effort to provide something—whether a subsidised employment contract or training—relating very much on local political pressures and institutional structures to make it work on the ground.

By contrast, Britain has cut its employment service and mobility grants and under the Thatcher Government has displayed an unequal attitude to the whole concept of job creation.

It began by scrapping the main direct job creation scheme (Step) it inherited, as well as greatly reducing the scale of regional industrial aid. Since then, the worsening unemployment figures have forced the Government to finance new schemes, but not without insisting that the terms reflect its general desire to ratchet down wages, raising the suspicion in some quarters that its ultimate objective for the unemployed is a Reagan-style "workfare" approach, which means participants in effect working for their welfare benefits.

How much further direct job creation can now be taken in Europe is open to question, but the German Federal Labour Institute believes its programme could be doubled without difficulty. The Swedes, with easily the largest relief work network, have close to 1 per cent of their workforce in such projects compared with just over half a per cent engaged in the latest British plan.

In the U.S., it has been suggested, grandiosely, that a 1930s-style public works programme is needed, but Congress estimated the cost at \$12bn for a million jobs. In any case, President Reagan, who scrapped CETA, the U.S.'s 1973 employment-training vehicle so vigor-

ously used in President Carter's urban policy in favour of locally run Private Industry Councils in the control of the private sector, is hardly likely to countenance such a turn of events.

One possible avenue for development however, is to try to find ways of helping the unemployed to turn their community work schemes into automatic business units throughout most countries. This idea, raised by a union and employer, haffles about subsidised competition and often also requires a degree of flexibility which Government bureaucrats lack.

Nonetheless, France, Belgium and Britain have all recently introduced modest schemes to



The trick would be to find a way of pumping money into jobs in these sectors without undermining public spending discipline and to target it regionally to areas most in need.

There is no practical experience which suggests this to be possible, although the House of Lords report on unemployment proposed a system of earned subsidies, similar to urban aid grants, which it argued could buy 300,000 jobs at a cost of £2.25bn a year.

The biggest claims of all are made for labour subsidies. The theory is that rather than cut business taxes across the board, it is better to concentrate resources by subsidising the

of subsidising parts of industry, chiefly textiles.

But that does not daunt the theorists, who continue to advance the case for subsidies payable to firms which increase their labour force—so called marginal employment subsidies.

One of the best known of these schemes is that proposed by Professor Richard Layard of the London School of Economics and since adopted by the policy formulators of the Social Democratic Party.

This same study also produces evidence to rebut the charge that Sweden has suffered either excessive wage drift or reduced labour market mobility as a result of its policies. But it does not attempt to explain why Swedish inflation—in part, presumably, a function of its swollen public sector debt—has been relatively high, by OECD standards in the last ten years.

An earlier study also suggested that in terms of value for money, Swedish policy, which cost 0.77 per cent of GNP, for a 1.3 per cent cut in the unemployment rate, compared favourably with a German effect of 2.7 per cent.

It may be that this type of policy simply reached its limits in 1977, in which case this is a useful danger signal indicator for other countries.

It has also to be accepted that unlike policies to reduce the supply of labour, such as shorter hours or early retirement, most elements of job creation policy (small business is a possible exception) possess no social or economic logic in their own right and are unlikely in most countries to do more than influence events at the margin in response to a crisis. There are no miracle cures and no zero-cost solutions.

In the long run, it may also be true as some of the more radical voices are now saying, that the over-anxious quest for more jobs at any price is historically defunct and that we should be seeking primarily to redefine work and leisure in a new type of society. But even if that is so, a bridge would have to be built to that society constructed out of something firmer and more humane than a policy of state-supported idleness for a very large slice of the population.

Estimates are hard to make, but without its Heath-Robinson contraption of deals and schemes the EEC might well today have an extra 3m to 5m people in its collective dole queue. That may not represent a solution, but it is a contribution.

* Swedish Labour Market Policy by Jan Johansson, IBM, Platz der Luftbrücke 1-3; 1000 Berlin 42.

Previous articles in this series were in the FT of January 7, January 17 and January 24.

Wanted: tax radicalism

IN A statement of his philosophy in the current issue of the *Journal of Economic Affairs*, Sir Geoffrey Howe, the Chancellor, makes it clear that the cause of tax reform he will continue to hasten slowly. "We have to continue to combine boldness in analysis with caution in implementation," he remarks—a slogan so much in character that it clearly reflects deep convictions.

Sir Geoffrey does provide at least one half of an agenda for bold analysis by asking some pertinent questions in his essay. Would it be appropriate to reform and reduce personal and corporate tax allowances? Does it make sense to provide tax relief for institutional saving, but to apply a supplementary tax to the income from non-contractual saving? What can be done about the poverty trap?

Fiscal crisis However, these are likely to remain rhetorical questions unless some strong reasons are given for doing them. There are two. First, the country faces a fiscal crisis, and will be wrestling with it well within the term of office of the next government, of which Sir Geoffrey no doubt hopes to be a member.

This is the consequence of two brute facts: the age structure of the population, which will impose a steadily rising burden of provision for the old, and the fact that North Sea oil revenue is already near its peak, and could melt away rather rapidly if the oil market continues weak. The combined effect creates a potentially large fiscal gap: falling radical measures. Sir Geoffrey might find himself forced to raise again both the tax he has cut and those he has increased.

We do not expect Sir Geoffrey to tackle any of these contentious subjects on March 15; but the news that he had ordered a study of even one of them would be most encouraging.

The third is the tax treatment of housing. This subsidy to purchase, as we have often pointed out, is expensive in itself, yet seems to have much more effect on house prices than on the supply of housing. It is, incidentally, one of the few topics on which economists of every political persuasion agree — as Sir Geoffrey will have learned from his predecessor, Mr Stockwood.

He is right to do so.

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to tackle any of these contentious subjects on March 15; but the news that he had ordered a study of even one of them would be most encouraging.

Heavenly fees

It calls for patience of a high order to plan a business round an event that takes place once every 76 years.

But showing himself a man of mettle Brian Harpur, a director of Associated Newspapers, intends to merchandise Halley's Comet as it makes its next approach to Earth in 1986.

With astronomical foresight Harpur (who is also credited with dredging up the first privately funded transatlantic air race seven years ago) has registered the Halley Comet company and a special comet logo.

Companies wishing to make Halley's Comet souvenirs and other products linked to the event can, of course, have the benefit of the logo for a fee.

"We would hope to make a large donation to charity," says Harpur. But he adds that he wouldn't mind if there is a little left over to help towards his retirement.

His interest in Halley's Comet began 58 years ago in Ireland, when as a seven-year-old—just 11 days after the comet's last visitation—he read a book called *The Story of the Heavens*.

It arrived in the house by accident. His father, a Church of Ireland minister, used to buy books of a religious nature to help with his sermon. On that occasion he chose the wrong heavens.

Harpur has already gathered about him a like-minded set of people. The Halley's Comet Society, a proposed scientific body all its members

agree, meets once a year in venues like Lord's Pavilion and the Greenwich Observatory to hear a progress report on the comet from astronomer Patrick Moore—and to drink champagne.

Guests include Lady Falkender, Eamonn Andrews, Sir Harold Wilson, and "No rules, no committees, no organisation," explains Harpur.

The only obligation is to pronounce Halley the way he

Men & Matters

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But showing himself a man of mettle Brian Harpur, a director of Associated Newspapers, intends to merchandise Halley's Comet as it makes its next approach to Earth in 1986.

With a stop-gap Government, no 1983 budget and strike fever hotter than ever, all is confusion in Portugal.

Even the Teatro Nacional de São Carlos, the state-run opera house which has known nothing more controversial than a quavering coloratura, has not been immune.

Mimicking Lisbon's transport workers who keep coming to a halt over pay, the musicians' union at the São Carlos struck for a 22 per cent wage claim at a matinee of *The Barber of Seville*.

Since the curtains had fortunately been left open after a previous performance, the show went on, in the tradition of the business, for a packed house.

There were a few problems:

No São Carlos orchestra, for a start. But one was borrowed from the national radio network and not too many sour notes ensued.

No chorus—leaving a vocal gap or two which the principals valiantly, but sometimes vainly, tried to sing over.

No Fiorello, the singing servant who should open the first act but didn't. The orchestra first accompanied the invisible servant, and then a bemused Spanish tenor, Jordi Rodriques sang half a duet with her.

No stage lighting. The electricians struck in sympathy and hid the computerised lighting plot.

Believes it was pronounced originally—Hawley.

Until now membership of the society has been the price of a tie—or a medallion for women.

But with a keen eye to the commercial possibilities, Harpur intends to capitalise on the appearance of his favourite comet by charging £16 for a five years' membership.

That package deal will cover members in the unlikely event of the comet being a couple of years late.

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Letters to the Editor

The increase in fees charged to students from overseas

From Mr S. Harcourt.

Sir—I should like to comment on the letter which appeared on January 28 in regard to the increase in fees charged to students from overseas.

As a taxpayer, I am pleased to see that the Government tries to match its spending to its income. Neither the Government nor individual taxpayers benefit directly from subsidised fees for such students. The direct beneficiaries are the teaching institutions and busi-

nesses. If this is accepted, then there should attempt to persuade institutions and businesses to take measures to attract more students from overseas.

Recent experience in working in a university in a developing country has shown that the students who are chosen to study overseas are postgraduates in their own country. They are encouraged by advisory staff to choose the best course available, wherever it is to be found. Most students choose to study in the U.S. for

this reason. U.S. colleges usually, too, offer a greater degree of flexibility in the planning of programmes than in other countries. This is much appreciated.

When it comes to fees funds are normally made available to universities, often in the form of overseas aid. The relative cost, as between countries, is not really important. Only in the case of privately sponsored students may this be an important consideration.

It is suggested, in view of the above, that if it is vital

that overseas students should be encouraged to study here in greater numbers than three courses of action be proposed: that teaching institutions put their own house in order; that more scholarships be awarded by businesses to deserving students from third world countries; and that the Government reduces its level of "developmental" aid and increases aid to higher education.

S. V. Harcourt
96 Keswick Road, Orpington,
Kent.

Shaftesbury Avenue or Pitlochry—actors' pay demands

From the President, Institute of Practitioners in Advertising

Sir—Mr Frank Brown (January 26) does not accept that there is any relationship between artists' pay and the size of the audience which views their performance, whether in the live theatre or in TV.

He concedes that there is a difference in pay between an audience in Pitlochry and Shaftesbury Avenue but asserts there is no variation in pay in either for a packed-out house in contrast to one half full. It is maddening thinking of this sort which has so abundantly protracted the chances of a sensible agreement between advertisers and their agencies and the union Equity over realistic fees for the two new independent TV services, Channel Four and TV-am. Whether in Pitlochry or Shaftesbury Avenue theatres, actors playing to half empty houses end their runs and so their earnings rather sooner than those playing to full. So, even in the live theatre there is a direct relationship between audiences and artists' earnings.

In the new services are Pitlochry to Shaftesbury Avenue. Consequently fees need to be related to the relative audience of viewers if advertisers, who are the "angels" of the whole independent TV output of this country, are to back performances and



John Smith's (TV) jumping dog

employ artists.

Artists are not making a contribution from their own pockets as Mr Brown claims.

For the record, I have nothing against Pitlochry and nor have advertisers and their agencies. We just wish that Equity didn't think it was

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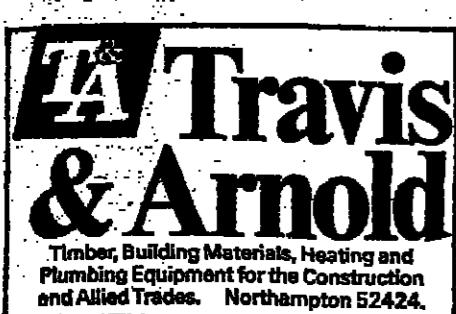
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SECTION II - INTERNATIONAL COMPANIES FINANCIAL TIMES

Tuesday February 1 1983



OPERATING EARNINGS UP DESPITE \$81.2m CHARGE

Burroughs advances on year

BY PAUL TAYLOR IN NEW YORK

BURROUGHS CORP., the U.S. computer and office equipment manufacturer whose operations have been extensively restructured over the past two years, yesterday reported a further slight improvement in fourth quarter and full-year operating earnings.

The company also announced an unexpected \$15.6m, or 37 cents a share loss, in the fourth quarter after charges of \$81.2m, or \$1.93 a share, related to restructuring and accounting changes, compared with a net profit of \$62.9m or \$1.51 a share in the same period in 1981.

Operating earnings in the fourth quarter increased by 3 per cent to \$65.4m or \$1.56 a share from \$62.5m or \$1.51 a share in the 1981 period on revenues which increased by 10 per cent to \$1.12bn from \$1.02bn.

The full year the company,

which completed the purchase of Memorex in December 1981, reported operating earnings of \$165.9m or \$3.95 a share compared to \$148.9m or \$3.58 a share in 1981.

Burroughs said that the \$81.2m fourth quarter charge contained several major components. The company took a \$94.1m after-tax charge related to changes in inventory valuations, and a \$17m credit from the reversal of deferred income taxes associated with export operations together with charges of \$14.1m after taxes related to other actions.

For the full year the company, which completed the purchase of Memorex in December 1981, reported operating earnings of \$165.9m or \$3.95 a share compared to \$148.9m or \$3.58 a share in 1981.

Mr Michael Blumenthal, Burroughs' chairman and chief execu-

tive, said "The operating results in 1982, although 10 per cent higher than in 1981, were less than we had hoped. They reflect the difficult worldwide environment and the continued strength of the dollar which prevailed throughout 1982."

In the latest year, a \$32.9m gain from accounting changes partially offset the \$81.2m fourth quarter charge, reducing net income by \$48.3m, or \$1.15 a share, to \$117.8m, or \$2.8 a share, against \$148.9m or \$3.58 a share in 1981.

Worldwide revenue for the year increased by 13 per cent to \$4.18bn from \$3.6bn. Outright sales increased by 27 per cent, rental revenue by 8 per cent and service revenue by 9 per cent.

Mr Michael Blumenthal added that the performance of Memorex had exceeded the company's expectations and its positive contribution justified the acquisition.

Allied makes \$120m purchase

BY PAUL BETTS IN NEW YORK

ALLIED CORPORATION, the large diversified chemicals and energy group, is buying a leading manufacturer of scientific instruments for medical and industrial use for about \$120m to expand the company's health and scientific products business.

Fresh from its \$2bn acquisition of a majority stake in Bendix and a 39 per cent interest in Martin Marietta, the latest deal is a further component in the broad acquisition strategy of Mr Edward Hennessy, Allied's chairman and a former protege of two master conglomerate builders, Mr Harold Geneen of ITT and Mr Harry Gray of United Technologies.

The latest deal involves Allied's acquisition of Instrumentation Laboratory of Lexington in Massachusetts.

CANADIAN RESULTS

Profits slip 10% for Bell

By Robert Gibbons in Montreal

THE recession has eaten into the 1982 profits of several Canadian companies.

A drop in the number of calls and rising costs even disturbed steady growth at Bell Canada, the Eastern Canadian telecommunications services supplier.

At the operating net level, fourth quarter profits slipped more than 10 per cent, from C\$182.4m (U.S.\$147.6m), or 99 cents a share, to C\$163.1m or 89 cents a share, with revenues only marginally ahead at C\$2.16bn against C\$2.07bn.

For the year, however, Bell Canada managed to show a respectable profit gain, with operating net earnings up 13 per cent from C\$359.7m to C\$392.2m, or 70 cents a share, on revenues of C\$8.41bn compared with C\$7.39bn.

Primary per share earnings were C\$3.11 against C\$2.97, and diluted, C\$3.03 compared with C\$2.89.

In the forest products sector, Consolidated Bathurst was hit both by the recession and by the cut in the North American newsprint price last year, which squeezed margins.

For the year, net earnings before extraordinary items were almost halved at C\$53.4m, or C\$2.20 a share, compared with C\$101. or C\$4.41 a share on revenue of C\$1.4bn against C\$1.51m. Fourth quarter earnings were equal to 31 cents a share compared to 31 cents.

The group also cut its quarterly dividend from 40 cents to 20 cents a share to conserve cash.

Macmillan Bloedel, the West Coast forest products group expects to incur an increased loss for 1982 of C\$85m compared with an operating loss the previous year of C\$28.7m and a net profit of C\$3.3m after a C\$30m special gain. The group, however, is forecasting a return to profit in the current year.

Zurich SE turnover at record level

By John Wicks in Zurich

A RECORD turnover of SwFr 180.5bn (\$96bn) was recorded by the Zurich Stock Exchange last year. This was an increase of almost 30 per cent on the previous record of SwFr 147.1bn, set in calendar 1981.

The number of bargains rose by some 10 per cent to a new high of 326,570 and the Zurich Share Index increased during the year by 4.7 per cent.

Record figures were also registered by the Basle Bourse, where turnover went up by 21 per cent to SwFr 37.7bn. Bargains were up on 1981 levels by 9.2 per cent, at nearly 90,000.

sets with sales of \$136m in its fiscal 1982 year, some 2,100 employees and plants in the Boston area, Puerto Rico and two near Milan in Italy.

Alfred is to begin in the next few days a cash tender offer for up to 14.5m shares (or about 45 per cent) of the scientific instruments company for \$38 a share. The rest of the shares will be exchanged in a tax-free merger involving Allied shares. Moreover, Mr Thomas Russel, chairman of Instrumentation Laboratory, has agreed to sell Allied at least 1.2m shares, or the equivalent of 42 per cent of the total outstanding shares.

This is the second acquisition in the scientific and medical field by Allied. In 1981 the diversified company acquired Fisher Scientific.

Instrumentation Laboratory has been seeking a buyer because it has suffered from a sales decline and

limited borrowing power. The company claimed it was having difficulty building a direct distribution network while continuing to fund research and development.

Fisher Scientific, with its strong distribution network, provided the base. Now, Instrumentation Laboratory brings us the high technology products we need to expand significantly our position in the fast growing diagnostics market," Mr Hennessy added.

The scientific and medical company, however, had a net loss of \$5.9m for the six months ended September 30 1982.

Instrumentation Laboratory has been seeking a buyer because it has suffered from a sales decline and

Mr Hennessy said yesterday the

United Technologies lifts final quarter earnings 16%

BY OUR NEW YORK STAFF

UNITED TECHNOLOGIES, the large diversified U.S. technology and industrial group, reported yesterday a 13 per cent increase in fourth quarter earnings to \$12.6m compared with \$9.7m in the same period last year.

For 1982, net income was also sharply higher at \$533.7m compared with \$457.7m in 1981 but this included the effect of an accounting change and an extraordinary gain from a debt for equity swap. Without these, net income last year would have totalled \$426.9m, lower than 1981 earnings.

The company's sales in the fourth quarter rose by 1 per cent to \$3.5bn compared with 1981 fourth quarter

sales and declined slightly to \$13.6bn last year compared with \$13.67bn in 1981.

W. R. Grace, the leading U.S. manufacturer of speciality and agricultural chemicals, has suffered a 35 per cent drop in net profits for the fourth quarter ended December 31 from \$5.4m to \$2.2m a year earlier.

This brought the full year net profit to \$31.95m, or \$5.22 a share, a fall of 12 per cent from 1981's \$364.7m, or \$7.38. Revenues were \$6.13bn, compared with \$6.34bn which the fourth quarter contributed \$1.59bn against \$1.76bn in 1981.

Norwegian mining group deeper in red

BY FAY GJESTER IN OSLO

ELKEM, the Norwegian metals, mining and manufacturing concern, reported higher losses last year than in 1981, despite a rise in sales to Nkr 5.8bn (\$785m) from Nkr 4.8bn.

The group's shares, which last week rose 10 per cent on the Oslo Bourse, yesterday eased by a couple of kroner on the news.

The company, says a better result is expected this year, despite the continuing recession, because of the success achieved in cutting costs and increasing productivity.

Elkem's steel mills in the UK operated at a loss during the second half of 1982 because of the recession and the competition, but it expects the situation to improve this year, as a result of further cost reductions.

The group's Norwegian steel plant, Christiania Spikerwerk, was "one of the few steel works in the world which showed a profit" in 1982.

Danish shipping line confirms loss

BY HILARY BARNES IN COPENHAGEN

DFDS, the Danish shipping company, will report a 1982 loss of about Dkr 240m (\$28m) after depreciation and financial costs, Mr Lief Juul Jorgenson, managing director, said yesterday. The net loss will be reduced to Dkr 120-140m after extraordinary incomes, however.

Mr Juul Jorgenson said the group hopes to eliminate the loss and break even in 1983. In 1981 DFDS made a profit of Dkr 126m.

The group will restore its financial situation by selling four to six passenger vessels and two three freight vessels, trimming some of its North Sea passenger routes and reducing the labour force by about 350 to about 4,100.

The group's strategy is to reduce its debt and financial costs by sell-

ing some vessels and then concentrating its efforts on vital routes.

No changes will be made in Scandinavian World Cruises, its pioneer North American venture which started operations last October. This service allows the so-called "Snowbird" tourists from New York to sail to the Bahamas on a New 27,000-ton cruise-cruise liner, switching in the Bahamas to one of two smaller ferries which take them and their cars to Miami or Port Canaveral.

Scandinavian World Cruises, which cost DFDS about Dkr 1bn in investments, contributed substantially to 1982 losses, Mr Juul Jorgenson said at a press conference. Trade was now picking up and the venture was expected to make a positive contribution to

covering its financial costs in 1983, although he could not promise that it would make a profit after financial costs.

DFDS has already withdrawn two passenger ferries from its Mediterranean service a third vessel from the Printzen Line's Bremerhaven-Harwich Route, which was closed down in November.

New measures include the closure of the Oslo-Newcastle route. The Esbjerg (Denmark) - Newcastle route will be suspended in the winter of 1983-84 and summer sailings reduced from four to three a week. The Gothenburg-Newcastle and Gothenburg-Amsterdam routes will be closed after the summer season. The Gothenburg-Felixstowe route will be switched to Harwich.

Swedish chemicals group has strong rise

By David Brown in Stockholm

PERSTORP, the Swedish chemicals and plastics group, boosted earnings by 50 per cent to SKr 75m (\$10m) in the first four months of the year. Consolidated sales for the period were SKr 835m, or a 30 per cent increase over the corresponding period last year.

"Taking these factors into account, however, we are satisfied with these results," he said, "which reflect the company's improvement in operating procedures and the beginning of the realisation of the benefits from new product programmes together with other changes."

Mr Blumenthal added that the performance of Memorex had exceeded the company's expectations and its positive contribution justified the acquisition.

Peugeot drops loss-making joint venture with Matra

By DAVID MARSH IN PARIS

PEUGEOT, France's second largest motor company, has pulled out of the loss-making car-making venture owned jointly with Matra, the state-controlled defence and electronics group, Matra announced last night.

Matra will seek partnership with an unnamed manufacturer - widely thought to be Renault - to strengthen the position of the car company.

But Peugeot will retain its commercial links with the company, continuing to sell Matra's Rancho

and Murena models through its marketing network.

More details will be given today by M Jean-Luc Lagardere, Matra chairman.

Matra Automobiles, set up in 1978 and with a history of mounting losses since then, is capitalised at FF 22m (\$11.9m). Matra will take over the 45 per cent held by Peugeot, in addition to its existing 55 per cent.

It is not yet clear whether the third company to be involved in full control of the car business.

ture collaboration will take a stake in the group. Last night Matra would not comment on this.

Peugeot badly needed cash from the divestment to transfer to its own loss-making car business. Matra Automobiles itself made a loss last year of between FF 120m and FF 130m, with car output down by a half since 1979. The Matra group, on the other hand, is turning in healthy profits from its defence and electronics activities, and is clearly in better financial shape to take full control of the car business.

Alsthom-CEM deal approved

BY OUR PARIS STAFF

THE FRENCH Government seems to have given the go-ahead for the state-controlled Alsthom Atlantique electrical engineering group to take over Compagnie Electro-Mecanique, one of the few profitable companies among the state's industrial companies.

Alsthom, which sees the takeover of CEM as complementing its activities in the electrical engineering sector, reached outline agreement on buying the company last summer, but the deal was held up by reference of the Ministry of Research and Industry.

Alsthom has had differences with the Government about the financial terms of another takeover, this time forced by the Industry Ministry - the absorption of the loss-making Dubigeon-Normandie shipyard as part of the restructuring of the French shipbuilding industry.

over would be decided this week.

Alsthom Atlantique is owned by the nationalised Compagnie Générale d'Électricité electrical group, one of the few profitable companies among the state's industrial companies.

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CEGE chiefs yesterday went to the ministry to discuss the matter, while a union delegation from the CEM factory at Le Havre was received in the afternoon to deal with social questions arising from the takeover.

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One aspect complicating the sale plan has been the dire state of Poclain, France's leading construction equipment group, which the Government is also trying to bail out. Some industry officials have argued that the slump in the construction market necessitated the sacrifice of Richier to help Poclain.

Richier's unions, on the other hand, have maintained that shutting down the company would cost FF 70m to FF 80m in redundancy payments - more than the sum needed to keep it alive.

The plunge in the French building market has just been underlined by figures from the National Federation of Public Works. These show that the activity of companies in the public works sector fell by 6 per cent last year, the sharpest drop for 23 years, while their workforce declined 5 per cent.

FRENCH CONSTRUCTION GROUP'S TROUBLES MOUNT

State agrees to Richier merger

BY DAVID MARSH IN PARIS

A TORTUOIS SAG

INTERNATIONAL COMPANIES and FINANCE

Robert Cottrell reports on Hong Kong's largest ever syndicated loan

Favourable terms won for HK Land

HONGKONG LAND, one of the world's largest property companies, has obtained an HK\$3.2bn (US\$611m) eight-year secured loan, the largest-ever Hong Kong dollar syndicated credit. The loan, of which HK\$3.2bn will be used to refinance existing short-term borrowings, comes on what analysts expect to be favourable terms, confirming Land's strong position relative to the disarray in the Hong Kong property sector.

The refinancing is seen locally as a prudent move, both to consolidate Land's fast-rising debt and to align its maturity structure more closely with major projects now under development and due to come on-stream in the second half of this decade.

Land's largest property acquisition in 1982 was the HK\$4.75bn site for "Exchange Square," its flagship development in Hong Kong's Central District. Over the last 14 months it has also bought a 33 per cent stake in Hong Kong Telephone and a 34 per cent stake in Hong Kong Electric Holdings, both publicly quoted local utilities. Those two investments are currently estimated to have cost HK\$1.6bn and HK\$2.5bn respectively.

UOL sells land parcel for \$47m

By George Lee in Singapore

UNITED OVERSEAS LAND (UOL), a major Singapore property developer, has entered into an agreement with the Brunei Government to sell part of some undeveloped land owned by Mount Echo Park, a wholly-owned subsidiary, for \$47.19m (US\$22.8m).

The sale involves 54,798.2 square metres of land at Jervois Road in the prime Singapore residential district of Tanjong. UOL, which is an associate of the United Overseas Bank group, said that 10 per cent of the sale price has already been paid and that the remainder will be paid on completion of the transaction on or before March 17.

The sale is subject to the approval of the authorities under the residents' property act, 1976.

In 1979 the entire Mount Echo property was valued at \$850m, but based on the sale price of \$8861 per square metre, the value of the remaining 61,524 square metres still owned by UOL would be around \$878m.

North Borneo Timbers ahead

By Wong Siong in Kuala Lumpur

NORTH BORNEO TIMBERS, one of Southeast Asia's leading logging companies, has reported a 130 per cent rise in pretax profits to 6.8m ringgit (US\$3m) for the six months ended November.

The company said the sharp improvement was due to higher production of exceptionally good quality logs, and better prices. The company warned, however, that second-half earnings could be "substantially affected" because timber prices have fallen by 20 per cent since November.

In Land's last published accounts for 1981, shareholders' funds of HK\$19.5bn supported debts of HK\$4.5bn. Following the latest refinancing exercise, debts probably now total around HK\$14bn, of which HK\$12bn comprises medium-term loans, HK\$1bn public bond issues and HK\$1bn in accumulated bank overdrafts, plus various individually small overseas borrowings. Land also owes HK\$1.9bn on Exchange Square, following its HK\$2.86bn down-payment last year.

The HK\$4bn facility now being made available comes in two tranches: a HK\$2.2bn revolving credit, and a HK\$2.5bn syndicated loan. Principal repayments begin after 4 to 4½ years in uniform amounts through to maturity.

Jardine Fleming

Of the cash, HK\$3.2bn is priced over local Hong Kong interbank rate (Hibor), at a margin of 3 of 1 per cent for the first four years, and 1 per cent for the second four, while HK\$800m is priced at 3 per cent over local best lending rate. The Hibor based and other funds are split equally between

the revolving credit and the loan. The facility has been arranged by Jardine Fleming, which is the merchant banking arm of Land's associate company, Jardine, Matheson. Some 15 banks are providing funds, led by the Hongkong and Shanghai Banking Corporation and Chartered Bank. Banking sources say the Peking-owned Bank of China also provided a significant portion of the facility.

Unusually, Land is offering security to its lenders. Four local properties are involved, Alexandra House, Gloucester Tower and No. 9 Ice House Street in Central District, and the World Trade Centre in nearby Causeway Bay. The refinancing package does not commit Land to any covenants constraining future capital expenditure or gearing ratios.

The Land company is now expected also to offer security to lenders of its other HK\$800m of earlier medium-term loans, though it is not legally obliged to do so.

Despite the parlous state of Hong Kong's property sector, Land is able to borrow money on fine terms principally

because it has a strong recent earnings base. The local companies worst-hit now are those who rely on trading properties to yield large one-off profits. Notable among the casualties are the Chinese family's E&D Investments, and the Carrion Group which is now seeking debt rescheduling in order to stave off the threat of liquidation.

Prices slashed

The combination of oversupply, recession, and political jitters has slashed local property prices to levels which buyers can scarcely support, yet buyers are still few and far between.

The Land company's strength is that its core income comes from renting rather than selling property. Its portfolio is concentrated in the prime Central District area which, though now feeling distinct downward pressure on rentals, nonetheless continues to attract prestige, high-paying tenants.

Land also has hotel interests, and a food distribution business with a 1981 turnover of HK\$4.5bn. Its principal equity investments are its electricity

Earnings decline but Sappi pays same

By Our Johannesburg Correspondent

SAPPY ONE of South Africa's largest paper manufacturers, said the year's market conditions which began affecting it in 1981, started to ameliorate in the last quarter of 1982. Turnover for the year increased to R494m (US\$446m) from R463m in 1981, but operating profits fell to R74.5m from R77.4m.

The directors say that a decline in demand worsened in the second quarter of last year, as customers de-stocked rapidly in response to high interest rates and depressed economic conditions. There was also increased competition from overseas papermakers.

An expansion project to increase production capacity of newsprint and pulp is now on schedule and the first phase, which will increase newsprint capacity to an annual rate of 140,000 metric tons is due to come on stream in the third quarter of this year.

Sappi's associates and subsidiaries had mixed performances last year. Carlton Paper, the 39.2 per cent-owned tissue maker, increased turnover to R110m from R94m but suffered a drop in operating profit to R10.5m from R14.1m.

Restocking by customers and the loss of export business were the main factors adversely affecting operations. The newly acquired Novaford subsidiary, which makes particle board, improved its performance significantly.

The dividend total has been maintained at 86 cents despite earnings per share falling from 217 cents to 197 cents on capital increased by a rights issue. The directors believe that demand this year will not be significantly different from that of 1982. Capacity utilisation is expected to increase as restocking by customers is apparently at an end. The expansion project should make its first contribution this year.

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Controversy over BHP's purchase of Utah group

By MICHAEL THOMPSON-NOEL IN SYDNEY

THE PLANNED U.S.\$2.4bn acquisition of General Electric's Utah International coal group by Australia's Broken Hill Proprietary (BHP) continues to generate controversy.

At the weekend, the New South Wales Premier, Mr Neville Wran, threatened to cancel BHP's NSW coal leases if the Utah acquisition led to a rundown of the local steel industry, which BHP controls.

BHP's chairman, Sir James McNeill, has stressed that the two issues, steelmaking and the Utah purchase, are not related. Last Friday's announcement that BHP and GE had signed a memorandum of intent for the sale of Utah coincided with the news of further mass sackings at the BHP steel plant at

U.S. prime element in \$1bn loan for Indonesia

INDONESIA IS raising a US\$1.8 billion loan, equally split between London interbank offered rate (Libor) and U.S. prime rate tranches, Bester reports from Hong Kong.

Morgan Guaranty Trust has been mandated to co-ordinate the loan. Bankers say they expect it to be priced at 0.5 per cent over Libor for US\$500m and 0.2 per cent over U.S. prime for the balance.

The proposed eight-year repayment period compares with 10 years on previous loans, and includes a four-year grace period. Indonesia's previous borrowings have been priced on Libor basis only and this is the first time a prime element has been included.

Among Asian borrowers, only Malaysia has raised a loan of this size before. This was in 1982 and it too had to include a U.S. prime based portion.

Australia and Japan to negotiate over banks

BY COLIN CHAPMAN IN SYDNEY

AUSTRALIAN treasury officials are to visit Tokyo in the next few weeks to negotiate details of a reciprocity agreement aimed at allowing Australian banks to establish branches in Japan. In return

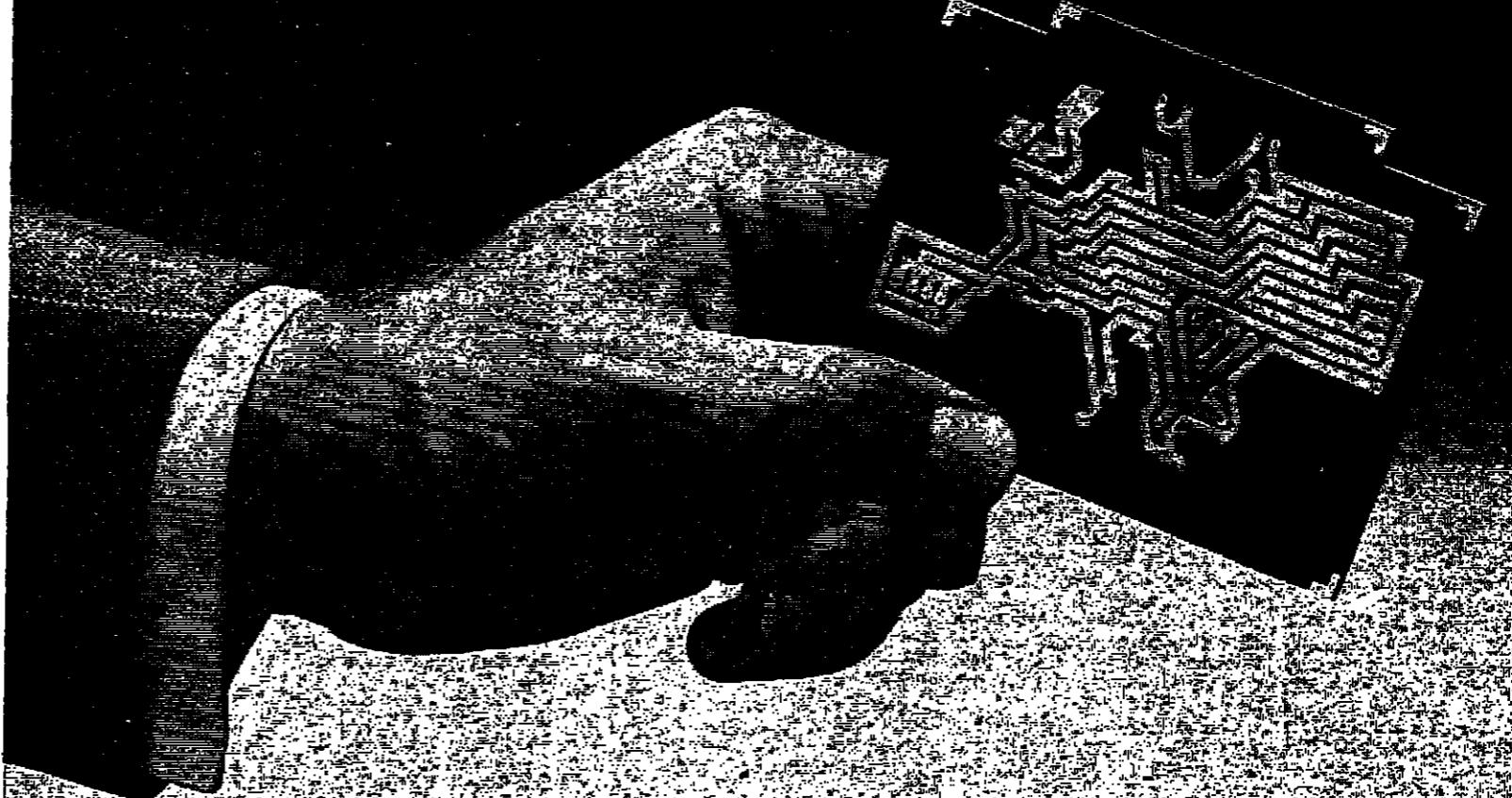
some of Japan's banks would be permitted to operate in Central Queensland Coal Associates, whose minority shareholders are Urali Consol (4 per cent), Mitsubishi Development (12 per cent) and the Australian Mutual Provident Society (AMP), (7.75 per cent), Australia's largest non-government investor, which is also a significant shareholder in BHP.

Last year, the Utah businesses concerned had net earnings of US\$247m.

A complicating factor could be an early election, which must be held before the end of the year, but is currently being widely forecast for May.

Should Labour win, the shadow treasurer, Mr Paul Keating, has said that it will review the "terms and conditions of foreign bank entry as a matter of urgency."

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Planning to divest or acquire? The Morgan Bank knows the people you should talk to



International Mergers and Acquisitions officers based in London are Andreas Prindl, Francis Depré, and Georges van Erck. At left is Financial Analysis officer Margaret Campbell.

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UK COMPANY NEWS

Bullough lifts dividend as profits jump £2m

BY OUR FINANCIAL STAFF

BULLOUGH, the engineer and furniture manufacturer, has boosted its dividend on the back of a £2m pick up in profits for the year to October 31, 1982 from 10.75p to 13.5p with a final payment of 8.5p net, compared with 4.2p previously.

The sharp increase in profits follows two years of decline, and not only puts the pre-tax outcome of £5.48m well ahead of last year's £3.4m but also leaves it marginally up on the record £5.44m achieved for 1978/79.

At mid-term during the year under review the advance was from 11.73p to 12.32p, with the directors forecasting second half earnings not less than those for the first.

They now say that the outlook for the current year is a mixture of optimism for some of the group's companies but possibly some downturn at others. Market conditions are likely to remain uncertain in the UK. However, despite the poor state of world trade, opportunities

BULLOUGH		
Engineering and furniture manufacturer		
Year to Oct. 31	1982	1981
	c	c
Sales	45.5m	43.02m
Pre-tax profit	5.48m	3.45m
Tax	2.45m	1.38m
Profit after tax	2.53m	1.8m
Earnings per share	34.5p	22.8p
Dividend	13.5p	10.75p

will be improved for exports by the decline in sterling.

Turnover for 1981/82 rose from £43.02m to £45.51m, and profits were subject to tax of £2.45m (£1.38m) for increased earnings of 34.5p (22.8p) per 20p share. In addition to the announced dividend a one-for-one scrip is also proposed.

Mainly representing a loss investment with the sale of B & B

Trailers, extraordinary debits totalled £505,000 (£284,000), leaving the attributable balance ahead from £1.8m to £2.53m.

The directors report that Project Office Furniture made a record profit during the year and there was a good contribution from the recently acquired Propafair. Several other group companies also improved on their 1981 results.

In addition, they say, second half earnings were helped by the elimination of losses which resulted from the B & B Trailers disposal.

Capital expenditure was higher at around £2.1m (£1.25m), they report, explaining that a significant part of this went into improving facilities at Project, but investment to increase productivity was carried out throughout the group.

In spite of the purchase of Propafair in May, which involved a net cash outflow of some £1.6m, net cash balances in hand ended the year £0.4m higher at £1.6m.

Peerless falls back as metals division faces hard competition

BY OUR FINANCIAL STAFF

PRE-TAX PROFITS at Peerless fell sharply from £1.07m to £0.66m in the six months to September 30, 1982 as fierce competition for metals companies and continuing difficulties in domestic engineering depressed group results. Sales moved up from £14.98m to £16.87m.

But the group's domestic engineering companies have done significantly better in the last three months of the period, and they should be approaching breakeven point by the end of the financial year.

Mr W. S. Jordan, chairman, was also encouraged by the fact that the pre-tax profit is better than the £0.64m achieved in the second half of last year.

There was a substantial rise in interest charges from £79,000 to £34,000.

The directors say the 11 per cent increase in sales was achieved by the successful development of a number of new product lines.

PEERLESS		
Metals manufacturing and domestic engineering		
Half-year to Sept. 30	1982	1981
	c	c
Sales	16.87m	14.98m
Pre-tax profit	66,000	107,000
Tax	28,000	37,000
Attributable profit	38,000	69,000
Earnings per share	2.3p	3.1p
Dividend	2.1p	2.1p

The net interim dividend has been held at 2.1p - in the last full year a total of 6.3p was paid from pre-tax profits of £1.47m on sales of £30.98m. At the last annual meeting the chairman said that in the medium to longer term, the outlook for the group was good.

The directors say the 11 per cent increase in sales was achieved by the successful development of a number of new product lines.

Retained profits were reduced to £24,000, against £389,000.

The greater working capital requirement is reflected in the substantial increase in the interest charged.

The opportunity has been taken to make all operating companies individual profit centres directly responsible to the main board. This development has already shown an improvement in control and efficiency, say the directors.

At the operating level profits were shown down from £1.18m to £0.64m. Associates' contributions slipped from £44,000 to £4,000.

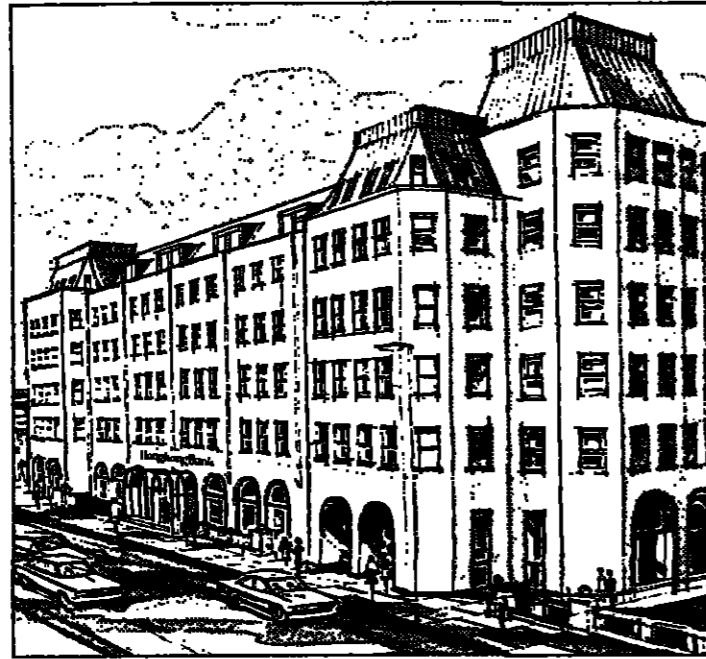
After tax of £280,000 (£375,000) and extraordinary debits of £30,000 (£35,000) attributable profits emerged lower at £295,000 compared with £360,000. Earnings per 25p share before extraordinary items were given as 2.5p (3.4p) and after as 2.3p (5.1p).

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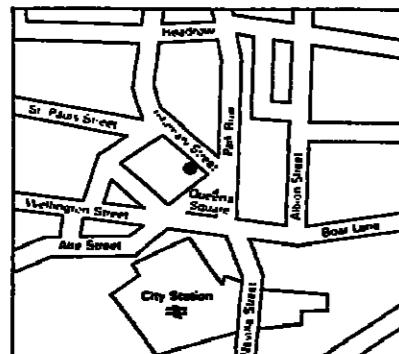
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Hillards looks for another record

By Our Financial Staff

HILLARDS, the supermarket operator, raised pre-tax profits from £2.22m to £2.61m for the 28 weeks to November 13, 1982. The directors say they are hopeful that the full year figure will show a satisfactory increase over the previous year's record £4.78m.

In addition, they say, second half earnings were helped by the elimination of losses which resulted from the B & B Trailers disposal.

Capital expenditure was higher at around £2.1m (£1.25m), they report, explaining that a significant part of this went into improving facilities at Project, but investment to increase productivity was carried out throughout the group.

In spite of the purchase of Propafair in May, which involved a net cash outflow of some £1.6m, net cash balances in hand ended the year £0.4m higher at £1.6m.

Two new stores were opened in November, and the company has bought a freehold supermarket of 19,000 sqft in Bolton, Lancashire, for £1.1m, which brings the total number of stores to 42.

Building work has started on a new store in Ilkley, which will open in the summer, and work should start soon on a 30,000 sqft store in Denscaster, due to open in winter 1983/84.

Mr Edelman has offered to buy from Montagu Investment Management all of the Canal-Randolph shares that it owns or manages at £70 a share. The offer closes tomorrow.

Mr Edelman has told Montagu he believes the break-up value of Canal-Randolph is considerably higher

Sears bids to break into mail order market

By RAY MAUGHAN

SEARS HOLDINGS, the Selfridges and British Shoe Corporation retailing group, is planning an £80m merger to create a "new force" in Britain's £2.2bn mail order market.

Sears wants to set up a new company, Newco, to which it hopes that Empire Stores (Bradford) and Grattan, two of the smaller quoted companies in the sector, will subscribe.

Empire had 6 per cent of the mail order market in 1981 and Grattan controlled about 9 per cent. Sears currently has no presence in the industry so Newco would be larger than Freemans, the South London-based catalogue group which had 13 per cent, but would still fall substantially short of Littlewood's estimated 29.5 per cent market segment and Great Universal Stores' 40 per cent.

Sears' proposals have been framed against a background of falling profits throughout the industry - although GUS has said that its

recent satisfactory results have been maintained.

GUS launched a £37m cash offer for Empire 10 months ago and acquired a 29.9 per cent stake before the deal was vetoed by the Monopolies Commission.

The implied price of 80p at which Sears' proposals value Empire shares compares with GUS' earlier purchase price of 112p.

Sears had been talking to Empire throughout the Monopolies Commission investigation on the basis that GUS would be blocked and it had been expected that Sears would make an outright bid for Empire.

Sears explained yesterday, however, that "Empire is not big enough for us over the long term and we would have had to follow up later with another acquisition."

Television South ahead of forecast

By Our Financial Staff

TELEVISION SOUTH has shown a pre-tax loss of £1.08m for the 17 months to the end of October, 1982, although in the broadcast period from January 1 to October 31 - a profit of £2.13m was achieved.

For the final two months of the 1982 calendar year, the company made a profit of £1.39m. This, when added to the result for the remainder of that year, produced an annual profit of £3.52m, which compares with the prospectus projection of £3.15m.

In the period before broadcasting began the loss was £3.78m, against the prospectus illustration of £3.65m. Of this deficit, £3.22m accrued in the seven months to the end of December 1981, with the remainder of £56.6m attributable to the preceding 17 months period.

In common with the initial figures reported in September (£1.86m pre-tax profits for the six months to June 30, 1982), the results for the period to October 31 have been largely affected by the Channel Four subscription, Exchequer levy and interest charges.

Profits in the broadcast period of £4.49m, were struck before debts of £6.49m, comprising £3.63m Channel Four subscription, £1.43m Exchequer Levy and £1.1m net interest.

After tax of £69.000, earnings in the broadcast period were £2.6m, representing 8.46p per 10p share. After including the earlier losses, the net deficit for the 17 months came out at £1.16m.

Referring to the Channel Four subscription, the directors say that no revenue was received from this source in the period under review. But the company's share of Channel Four's costs has been increased from 9.2 per cent last year to 11.4 per cent in 1983, giving an annual rental from January 1, 1983 of £1.54m.

The company took steps during 1982 to minimise the impact of the increase and to ensure that it would meet the financial projection made in its share offer.

Advertising revenue remains satisfactory, even though the company has been denied significant revenue on Channel Four because of the dispute between advertising agencies and the actors' union, Equity.

Edelman renews bid for Canal

By DAVID DOODWELL

MR ASHER EDELMAN, the U.S. businessman battling to wrest control of Canal-Randolph Corporation, the U.S. real estate company, from Sir Walter Salomon, chairman of London merchant bank, Rea Brothers, yesterday mounted a fresh effort to boost his shareholdings in the company.

Mr Edelman has offered to buy from Montagu Investment Management all of the Canal-Randolph shares that it owns or manages at £70 a share or 17.8 per cent above the Canal-Randolph closing price on the New York stock exchange on Friday.

Since April last year, Mr Edelman has built up a 20.8 per cent stake in Canal-Randolph. Montagu acts as investment adviser to trusts owning a further 7.7 per cent or about 119,000 shares, all of the trusts were to accept the £70 a share offer, if it would lift Mr Edelman's stake to 28.7 per cent, fractionally larger than the 28.6 per

cent owned or managed by Sir Walter Salomon and Rea Brothers.

The bid has been blocked since December by the resistance of shareholders represented by Sir Walter and Rea Brothers. As a result, Mr Edelman is planning to mount a proxy contest for control of the Canal-Randolph board at its annual meeting early in March. Sir Walter is chairman of Canal-Randolph.

Mr Edelman has filed suits in the Delaware courts against Sir Walter, Rea Brothers, and several trusts managed by Rea Brothers, alleging violations of federal securities laws.

Senior buys Penn Machine in U.S.

By OUR FINANCIAL STAFF

SENIOR Engineering Group has bought Penn Machine Corporation, a private-owned U.S. manufacturer of gear, shaft and wheel products for the mining, steel and transport industries, for \$5m.

Penn had pre-tax profits for the first 10 months of 1982 of \$600,000, based on sales of \$14.5m. Profits for the whole year will be below the average of more than \$2m for the four years to 1981. Mr Chapman said this was due to recession in the U.S., but that a quick recovery

ought to be expected in response to any economic turnaround in the U.S.

In 1979, Senior bought Boiler Tube Corporation in the U.S. for about £5m. In June last year, it bought Murray Tube for the equivalent of £2.2m. While the new purchase is not directly involved in tube manufacture, Mr Chapman said it shared the group's interest in supplying goods to the mining industry.

The deal is to be financed in the U.S., but that a quick recovery

MINING

Cominco plunges to first loss in 50 years

BY JOHN SOGANICH IN TORONTO

CANADA'S Cominco, a diversified natural resources group, controlled by the Canadian Pacific group, reports its first full year loss since 1932. The loss is lower than feared, at C\$1.2m, or C\$2.20 per share for 1982, compared with a net profit of C\$70.3m in 1981.

The latest results are struck after crediting a gain of C\$18.1m on the sale of U.S. oil and gas properties. In 1981 there was an extraordinary gain of C\$7.7m on the sale of majority interests in Pacific Coast Terminals.

Cominco operated under "severe

economic pressure" last year and with few exceptions lower prices were realised for metal, fertiliser and chemical products. At the same time operating costs, particularly for labour and energy, continued to rise.

Mr Norman Anderson, the chairman, said that while several indicators supported optimism for the economy, the realisation of increased product prices remained uncertain until there was a sustained increase in consumption levels.

The past year's results were cushioned by the revenue from the start-up of the Polaris lead and zinc mine in the Arctic.

This should make an increased contribution to Cominco's earnings this year in the light of improving metal prices, especially now that the big Highland Valley copper division in British Columbia has resumed operations after being closed since mid-1982.

Cominco will possibly move back into profit in the current quarter, but it will take some time before the company can return to the record C\$200m earned in 1979.

The past year's results were cushioned by the revenue from the start-up of the Polaris lead and zinc mine in the Arctic.

Mr Michael Howard, vice-chairman of the Thames Group, was commenting on the agreement to combine the UK corrugated operations of St Regis International, a U.S.-owned company, and those of Mardon Packaging International.

"I expect this to be the beginning of a trend in the industry" said Mr Howard, a former chairman of the British Fibreboard Packaging Association.

Pressure from the recession,

the squeeze on profit margins, and competition from rival packaging concerns would result in rationalisation, he added.

Corrugated casing is the principal material produced by the fibreboard industry, which also makes a small and declining quantity of solid fibreboard. UK sales of fibreboard last year were £600m, compared with £637.5m for cans and

£672m for plastic packaging.

The fibreboard market is dominated by Reed with more than 20 per cent of the market. The new company will closely rival Bowater, which is thought to have 12 per cent. Other major manufacturers include the Canadian-owned Macmillan-Bloedel; Thames Group (part of Unilever); and Smurfit.

The industry has avoided the scale of retrenchment seen in other packaging sectors, such as can and glass bottle making. Its workforce is believed to have been cut from 21,500 to 18,000 over the past four years, although further cuts cannot be ruled out.

The squeeze on jobs has been caused more by modernisation of plants and the reduction in shifts than by closure of machines. Al-

though over capacity is about 30 per cent, Mr Howard points out that some permanent over capacity is necessary to absorb seasonal fluctuations in demand.

The main reason for the long-term fall in demand for corrugated cases has been the spread of plastic shrink wrapping. Mr Howard believes, however, that this trend has passed its peak. His own company has expanded its sales of the fibreboard trays on which shrink-wrapped goods are carried.

Within the industry there is keen price competition. Thames Case says it has not sought a price increase since October 1981. But the profits squeeze which this has brought about was partly offset by the fall in the price of draft liner paper a year ago.

UK COMPANY NEWS

Allied Textile profits static

By Our Financial Staff

ALLIED TEXTILE Companies finished the year to September 30, 1982, with taxable profits little changed from £3.11m to £3.2m. This follows the first half trend when a result of £1.23m, against £1.26m. Sales slipped from £29.9m to £28.72m.

Because of a swing from tax credits of £300,000 to charges of £900,000, last year earnings per 25p share - before extraordinary debits of £618,101 (£662,345) on mill closures and reorganisation costs - fell from 44.8p to 27.8p. The dividend total is effectively lifted from 1.88p to 7.24p, with a final payment of 4.42p net.

TEXTURED JERSEY Manufacturer of knitted fabrics and clothing

Year to Sept 30	1982	1981
Sales	£28.72m	£29.9m
Pre-tax profit	£3.2m	£3.11m
Tax	£900,000	£300,000
Attributable profit	£1.23m	£1.26m
Earnings per share	27.8p	44.8p
Dividend	7.24p	1.88p
*Credit		

VIBROPLANT Construction plant hire

Half-year to Sept 30	1982	1981
Sales	£5.9m	£5.5m
Pre-tax profit	£1.0m	£2.0m
Tax	27,000	61,000
Attributable profit	£1.0m	£2.0m
Earnings per share	17.5p	28.0p
Dividend	—	—

HAYTERS Makers of grass cutting machinery and welding equipment

DAILY MAIL The Daily Mail successfully faced intense competition during the year and remains the leader in the middle market for national newspapers. The circulation was maintained at a level only marginally below last year despite a 13% cover price increase, two major railway disputes, and TUC days of disruption.

Advertising performance has been remarkable in the present economic climate - with an increase in the overall market share and a 5% increase in revenue.

THE MAIL ON SUNDAY Following the completion of a fundamental reorganisation of printing facilities in London, which involved the introduction of a new photo-composition system and the conclusion of new working agreements with trade unions, The Mail on Sunday was launched in May last year. Initial setbacks were quickly overcome with the appointment of a new editorial team temporarily headed by Sir David English, Editor-in-Chief. A new editor has now been appointed, and the future of this newspaper appears bright.

PROVINCIAL NEWSPAPERS It is good to report that despite both difficult circumstances and vigorous competition from free newspapers the Group's provincial publishing interests improved their earnings.

Disappointingly a new evening newspaper, launched in Chelmsford two years ago, failed repeatedly to meet its projected targets and ceased publication in April 1982.

For some years a programme of modernising many provincial newspaper offices has been underway and every major title is now profitably trading on its new equipment. Following the rebuilding and re-equipping of the offices at Tunbridge Wells, Torquay and Derby, the construction of new premises for the "Lincolnshire Echo" was begun during 1982 and this latest project is scheduled to be completed by the end of next year.

MAGAZINES 1982 has been another most successful year for all of Euromoney's activities. The launch of the "International Financial Law Review" has increased the scope of the company's coverage of topics concerning international finance has been greatly extended by the books division. The Euromoney Currency Report and Syndication Guide continue to do well.

Our other magazines have performed satisfactorily in the light of market conditions.

NORTH SEA OIL During the year production from the Argyll field amounted to 6,000,000 barrels. Test production from the Duncan discoveries to the west of Argyll yielded a further 1,300,000 barrels, giving a total production for the year of 7,300,000 barrels. The Group's share in sales from this production was £365,000, an increase of 104% on the previous year when sales of £14,167,000 included £5,669,000 arising out of merchandising and other activities. This performance is reflected in earnings of £6,000,000 before tax, up by 99% on 1981.

Three successful wells within the Argyll field were completed during the year, two of which have made a significant contribution to the level of production achieved from the Argyll field during the year, and the third is now also producing. The Group's current estimate of proven recoverable reserves from the existing wells on the Argyll field amounts to 50,400,000 barrels with recoverable reserves from the Duncan accumulations currently estimated at 5,900,000 barrels. A further well drilled to test a structure on Block 30/2sa to the east of the field was dry.

On the Duncan discoveries, two appraisal wells were completed during the period, and two more have since been completed.

On the Bruce discovery, two successful appraisal wells were drilled, and a major seismic programme was undertaken across the Bruce and 9/9b blocks. Further appraisal drilling on these discoveries is planned for 1983, concurrent with feasibility studies to determine development prospects. In the southern gas area off the Shetlands, two wells were drilled on Block 43/13a. A significant gas column was encountered and initial feasibility studies are now in hand to determine the

potential of this field.

TRANSPORT GROUP Losses in a number of areas to last year were incurred by the transport group despite the implementation of further economies.

Satisfactory results are being maintained by our engineering division.

PENSION FUNDS An independent investigation of the investment performance of pension funds, measured over the last year, showed the Harmsworth Pension Funds to have had a good performance compared with those funds participating in the survey.

STAFF On your behalf I wish to thank the staff for their achievements in a most difficult year and for their loyalty and hard work which are indispensable to the Group's progress.

OUTLOOK Whereas success can never be guaranteed, the decisions made in the course of the year were designed to provide a basis from which significant benefits to this Group should ensue. These positive steps have involved both the curtailment of losses and the seizing of opportunities to ensure that the Group continues to have the advantage of flexibility in a rapidly changing situation without being unduly influenced by short term restraints. It is its overall financial strength which will in due course enable the Group to surmount its present difficulties and restore its previous level of prosperity.

ROTHMERE

£1.2m for plastic packaging.

The fibreboard market is dominated by Reed with more than 20 per cent of the market. The new company will closely rival Bowater,

which is thought to have 12 per cent. Other major manufacturers include the Canadian-owned Macmillan-Bloedel; Thanes Group (part of Unilever); and Smurfit.

The industry has avoided the scale of retrenchment seen in other packaging sectors, such as can and glass bottle making. Its workforce is believed to have been cut from 21,500 to 18,000 over the past four years, although further cuts cannot be ruled out.

The squeeze on jobs has been caused more by modernisation of plants and the reduction in shifts than by closure of machines. Al-

St Regis deal may herald more mergers

By MAURICE SAMUELSON

MORE MERGERS may take place in Britain's £600m corrugated packaging industry after the emergence of a new group with about 11 per cent of the market, it was forecast yesterday.

Mr Michael Howard, vice-chairman of the Thames Group, was commenting on the agreement to combine the UK corrugated operations of St Regis International, a U.S.-owned company, and those of Mardon Packaging International.

"I expect this to be the beginning of a trend in the industry" said Mr Howard, a former chairman of the British Fibreboard Packaging Association.

Pressure from the recession, the squeeze on profit margins, and competition from rival packaging concerns would result in rationalisation, he added.

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though over capacity is about 30 per cent, Mr Howard points out that some permanent over capacity is necessary to absorb seasonal fluctuations in demand.

The main reason for the long-term fall in demand for corrugated cases has been the spread of plastic shrink wrapping. Mr Howard believes, however, that this trend has passed its peak. His own company has expanded its sales of the fibreboard trays on which shrink-wrapped goods are carried.

Within the industry there is keen

price competition. Thanes Case says it has not sought a price increase since October 1981. But the profits squeeze which this has brought about was partly offset by the fall in the price of draft liner paper a year ago.

The highlight of the latest quarterly report from Australia's Seltrust Holdings, covering the three months to December 31, 1982, is a further increase in mill throughput at the Agnew nickel project.

The amount of ore treated in the latest quarter was 82,123 tonnes, up from 72,885 tonnes in the September quarter and just 44,160 tonnes in the final three months of 1981.

There was a rise of almost 25 per cent in the amount of concentrate produced, to 11,598 tonnes.

Seltrust, owned 75.3 per cent by British Petroleum, holds 60 per cent of the Agnew joint venture.

Two official of the Chinese mining industry believe that the Xinjiang region of western China has rich gold resources, but mining operations are disorganised and reserves have not been properly delineated, according to news agency reports.

The newspaper China Daily quotes the officials, Gao Zhongyu, head of the gold mining section of the Metals Ministry, and Wang Yuyin, an engineer at the Changchun gold mining institute in Manchuria, as saying that the region's gold production is currently well below that of the peak years before the Communist takeover in 1949.

They suggested that this was due to incompetent leadership.

Hard on the heels of the announcement of the recent reversal in the downturn in gold production by the mines in South Africa comes news that Canadian producers have boosted output last year.

Last year's production amounted to 2m ounces, the first time this figure has been reached since the early 1970s and an increase of 20 per cent over the 1.67m oz for 1981.

The House of Lords held a hearing under a charterparty on June 14, 1982, to consider an appeal by Afovos Shipping Co. S/A, of Lagos, Nigeria, from a Court of Appeal decision that they were not entitled to withdraw the vessel from the service of her charterers, Romano Pagan and Pietro Pagan, trading as R. Pagan and Fili.

LORD HALSHAM said that the Afovos was let by a time charter on the New York Produce Exchange form. Clause 5 of the charterparty provided that "falling the hire and similar powers of hire, the owners shall be at liberty to withdraw the vessel from the service of the charterers."

The severity of that right of withdrawal was mitigated by clause 31, an anti-technicality clause, which provided that "when hire is due and not received the owners, before exercising the option of withdrawing the vessel . . . will give charterers 48 hours' notice and will not withdraw the vessel if the hire is paid within these 48 hours."

On June 11 1979 the charterers gave instructions in good time to the bank to pay the instalment due on June 14 into the owners' bank. The bank purported to do so by telex on June 13 and, but for one unfortunate circumstance, there was no reason why the transaction should not have been completed in time.

The shipowners' bank had originally posted three telegrams on numbers, the last two digits of which were 18, 17 and 18. The 18 had been abandoned in 1979 and by 1979 had been slotted to a third party. Nevertheless, in the relevant directives the old

18 was still used.

The answer to the second question to be decided in the present appeal is that the 48 hours' notice given before the payment of hire did not arise until after the right of withdrawal accrued.

The expression "due and not received," and the reference to the right as an "option" really

only admitted of that sense. The charterers could only be given when hire was due and not received, and when an option was already in existence.

Obviously, clause 31 was inserted in order to save the charterer, who might not know that his payment had not been received, from the extremely onerous effects of clause 5. Equally obviously, a premature notice of acceptance, if accepted, would give the charterer the opportunity of getting away from a breach of clause 5 by anything up to 24 hours.

Two passages in the judgment of Lord Justice Griffiths in *(1982) 1 WLR 856, 857* were particularly convincing. He said that "if the charterer is told that payment has not been received before the time for payment has expired, he may not realise the urgency of the position and may accept the payment as if it were due." He also said, "if notice can be given before the charterer is in default, it . . . does not give the charterers notice that he is in default."

The crux of the case depended on the answer to the first of the two questions. For the purpose of the present appeal one need only ask what was the latest time which would have constituted punctual payment?

The answer was at midnight on the last day available to the charterers for the due and punctual payment of hire, i.e. June 14. It was a general principle of

Wall Street: full closing prices, Pages 24-26

SECTION III - INTERNATIONAL MARKETS

FINANCIAL TIMES

Tuesday February 1 1983

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WALL STREET

A budget with barely a ripple

WASHINGTON'S Redskins won American football's national Super Bowl championship on Sunday and probably attracted almost as much comment on Wall Street yesterday as the other major news item about the capital: the official unveiling of President's Reagan's 1984 budget, writes Duncan Campbell-Smith in New York.

Share prices registered a minimal impact from the budget figures, most of which had been fully expected by the markets. The Dow Jones industrial average managed to advance nearly five points at one stage of the morning but, spent most of its time hovering in thin trading around its opening level. The index was down 2.39 to 1,062.36 just after 2pm in a trading volume of 44m shares. But it then closed 10.95 up at 1,075.70.

A former Washington dignitary who focused Wall Street's attention during the morning was Mr Michael Blumenthal, ex-Secretary of the Treasury and now chief executive of Burroughs Corporation. Mr Blumenthal announced disappointing results for the company, and

its shares - one of the most heavily traded stocks of the day - fell \$3.34 to \$43.47 by 2pm.

Burroughs is not included in a select band of high-technology stocks, comprising Digital Equipment, Data General and Sperry Rand, among others, which analysts believe have benefited lately from takeover speculation in the light of General Electric's \$5bn horde of cash and securities, this group had a mixed showing yesterday.

But General Electric, which last week announced the sale of its Utah International subsidiary for \$2.4bn and is known to be looking for high-technology acquisition targets, gained another \$2.40 to \$101.14.

Defence-related equities have been strong in recent weeks in anticipation of the high priority set on defence spending by the new budget. United Technologies reported net income for 1982 at \$8.01 per share, fully diluted, against \$7.95. At midsession the stock was down \$1.40 to \$86.40.

Other companies, reporting yesterday included W. R. Grace, down 5% at \$39.75, and Allied Corporation, the chemicals and energy group. Allied last year spent \$2bn on a majority stake in Bendix and 39 per cent of Martin Marietta. It yesterday announced further diversification with a second purchase for \$120m in the medical and scientific instruments field. The stock in mid-afternoon was down.

One of the market's strongest gainers was J. C. Penny, the major retailer, which announced a five-year \$1bn corporate reorganisation. The stock gained \$2.40 to \$50.00.

Federal Funds traded at around 8% per cent in quiet conditions. Trading levels were also notably low in the bond and other money markets, but downward price adjustments by professional dealers brought these markets sharply lower ahead of the Treasury's first auctions in what is to be a busy funding week.

By mid-afternoon, three and six-month Treasury bills were yielding 8.36 per cent and 8.63 per cent respectively. The intermediate notes, 10% per cent 1992, were down half a point from 98 1/2 to 98 1/4 to yield 10.78 per cent. The long 10% per cent bonds due 2012 down 1/4 from 95 1/2 to 94 1/2, yield about 10.96 per cent.

Gains by Toronto gold and base metal issues went much of the way toward offsetting losses in other sectors, and advances kept their edge on declines through most of the session. Utilities, banks and oils started lower in Montreal but papers and metals showed strength.

FAR EAST

Technologies to fore in wary Tokyo

HIGH technology issues again moved to the fore in Tokyo as blue chips found some difficulty in holding on to their gains established towards the end of last week. Drug companies were in good demand, followed by computer makers, optical fibres and ceramics producers.

The Nikkei-Dow Jones market average managed an 11.19 improvement to 8,103.47, leaving it above the 8,100 level for the first time in about three weeks. A 7.67 advance in the half-day Saturday session had taken it most of the way, helping consolidate a hesitant correction to a fortnight of severely eroded share values.

Dealers remain under no illusions, however, that buying confidence has been more than tentatively re-established, in the face of the Bank of Japan's disinclination to cut the official discount rate without clearer signals from the U.S. and a more stable footing for the yen.

One commented yesterday that investors appeared to be "grappling for market leaders but cannot find any. They are moving from one stock to another." Even the morning activity in low-priced domestic industrial issues dwindled as nervousness set in about the scale of increases which were being achieved there.

The lack of confidence all round was thrown into sharp relief in the domestic bond market where prices fell sharply in light trading, mainly among securities houses as banks and other institutions held off.

A Yamaichi Securities bond manager said the large volume of holdings, built up in anticipation of rate cuts, would "take more time to sort out" now these hopes had been momentarily dashed.

The setback was pointing to a possible suspension of issues of the 10-year national bonds this month, a manager at Nikko Securities said. The alternative of an upward adjustment to the February issue coupon would not find favour with the Government because a traditional consequence is a rise in long-term prime rate. This was cut by 0.2 on Friday to 8.4 per cent in line with a lower January coupon.

At the same time, the Finance Ministry announced that it had licensed 28 banks to sell national bonds from April. Others are to receive approval soon.

In Hong Kong, resistance around the 900 level of the Hang Seng index again thwarted an early upward trend and pulled prices down to end at the day's lows. The index fell 12.78 to 887.04 after being 24.7 higher by 11am at 902.29.

Hang Seng Bank itself shed HK\$1.75 to HK\$48.25, while other banks were mixed to slightly easier.

Among properties, Cheung Kong lost 20 cents to HK\$8 and Sun Hung Kai 15 cents to HK\$7.70.

Active but selective trading in Singapore left prices slightly higher overall as profit-takers pared the more prominent of the gains. The Straits Times industrial index rose 3.80 to 777.59.

SOUTH AFRICA

Golds sought

HEAVY demand for golds was once again in evidence in Johannesburg as investors in bullion tested the water above the \$500 an ounce level.

Heavyweights gained up to R4, with Durban Deep that much ahead at R59, while Randfontein, ex-dividend from yesterday, stood R2.50 lower at R175.50 after R170. Among cheaper priced producers Vlakfontein added 50 cents to R3.05.

In mining financials Anglo American improved 60 cents to R23.80, and diamond giant De Beers was 17 cents stronger at R8.97. Elsewhere Barlow Rand, which is reorganising its mining interests, ended 20 cents higher at R13.

EUROPE

Brussels puts on a brave face

DOMESTIC share prices in Brussels held up moderately well yesterday as Belgium's centre-right coalition survived weekend talks with a shaky compromise on divisive regional issues, along with a reaffirmation that overall economic problems remained its priority.

Some holding company stocks gave up ground they had made in a rally last week. Societe Generale was BFr 14 lower at BFr 1,342, but Bruxelles Lambert and Sofina maintained their Friday closing levels.

Non-ferrous metals advanced with Hoboken up BFr 40 to BFr 4,000 and Vieille Montaigne BFr 10 to BFr 3,980. Steel was mixed to higher.

A stronger dollar brought broad gains in the foreign sector - UK, Germans, Dutch and French moved upward in addition to U.S. issues.

An early rush of buying orders from Frankfurt, many of whom had sold during a slide in prices early last week, built on Friday's upturn to leave the Commerzbank index 12.1 ahead at 756.1 for a rise over the two sessions of 19.4.

Brokers noted foreign interest in the internationally known vehicle, department store and chemical issues, with a particularly marked influx of U.S. cash.

Steels also continued to improve as producers and market participants weighed the consequences of the major reshape for the industry into two large groups.

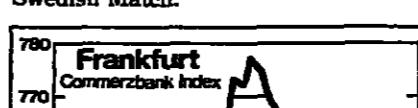
Non-ferrous metals registered good performances but engineering were mixed, with gains for Deutsche Babcock, KHD and Mannesmann but declines by Linde and MAN. Of the car makers, Daimler-Benz was DM 8 stronger at DM 391, Volkswagen DM 5.70 up at DM 150 and BMW 2.80 ahead at DM 228.80.

Domestic bond prices, by contrast, held barely steady in quiet trading ahead of a securities repurchase tender held by the Bundesbank in order to boost money market liquidity.

Volume in Zurich was large but the market was directionless as interest rate uncertainties appeared still to be the source of reluctance to take new positions.

Caution was the overriding factor both in Amsterdam where only investment funds provided consistent if small rises, and in Paris, where electricals and constructions made the best of the running. French car manufacturers eased despite news of higher production for the industry in 1982.

Prices rose across the board in a lively Milan session, with Pirelli, Fiat and Olivetti leading a further consolidation of the industrials. Foreign demand in Stockholm, meanwhile, enhanced valuers of leaders such as Electrolux and Swedish Match.



LONDON

Equities in upward push against £

EQUITY market investors in London were not deterred yesterday by the pound's fresh weakness against the dollar or by the Confederation of British Industry's pessimistic findings on the impact of lower sterling on order books of UK manufacturing industry.

Small private clients committed funds to a range of secondary or situation issues and with larger investors concentrating on selected leading shares, val-

ues regained early losses to close higher on balance.

The initial easiness also reflected caution about Wall Street's inability to sustain last Friday's early strength generated by favourable economic indicators.

Business in ICI subsided as American investors lost their appetite after feverish activity on Friday, but other leading industrials such as GKN and Vickers flourished.

Many second-line stocks with a speculative flavour were outstanding and none more so than London and Liverpool Trust, which reached 700p late for a further leap of 167p. Plotting the course of leading equities, the FT Industrial Ordinary share index regained an opened fall of more than three points to close 2.7 up on the day at 622.7 after touching 624.8 at 2pm.

Investors in government securities were troubled by the exchange rate's fall to its lowest-ever closing point against the dollar. Small offerings found the market unresponsive and longer-dated stocks declined in thin trading. Convertibles displayed closing falls ranging to 1% points, but other maturities rallied from the worst to end about three-quarters lower on the session.

A generally firm stores sector was enlivened after the official close by Sears' merger proposals for mail-order concerns Empire and Grattan. Both were immediately supported up to 90p before closing at the common level of 89p, with Empire securing a rise of 6p.

Properties, out of favour for some time, took a distinct turn for the better as interest revived. Land Securities was up 7p to 287p and MEPC 6p to 200p.

South African gold shares soared and Australian gold exploration companies adopted a heavy two-way business as mining markets made a spectacular start to the new trading account. Another strong performance by the bullion price, which moved above the \$500 an ounce level in early trading before closing at a net \$5.50 firmer at \$500, sparked off further intense interest.

Substantial gains from the outset were buoyed by sizeable buying from Johannesburg. Best levels were not held but closing prices were well up on Friday's levels and the FT Gold Mines index surged a further 27.8 to a peak 677.0.

The outstanding performance in the heavyweights came from Vaal Reefs which jumped 2.4% to a record £16.4%.

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Credit

Bull market in the U.S. dollar

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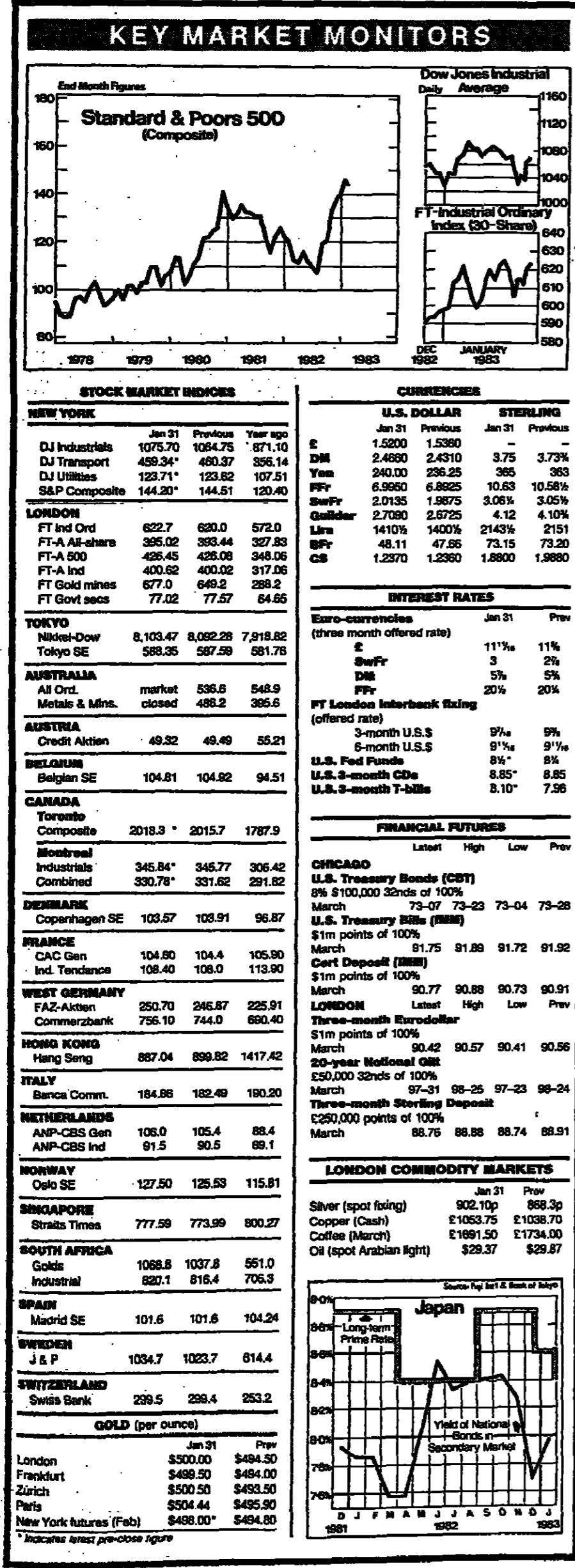
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AMERICAN STOCK EXCHANGE CLOSING PRICES

Continued on Page 26

NEW YORK STOCK EXCHANGE CLOSING PRICES

Continued on Page 26

These figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-low range and yield are shown for the new stock only. Unless otherwise indicated, rates of dividends are annual disbursements based on 240 days.

WORLD STOCK MARKETS

AMERICAN STOCK EXCHANGE PRICES

**NEW YORK
CLOSING PRICES**

CLOSING PRICES

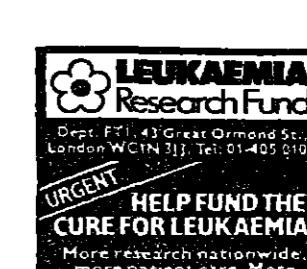
12 Month High	Low	Stock	P/ Div.	Yd.	E	Stg	100s	High	Low	Close	Prev Gaste	Chgs
111	50	WesterO	.07	6	10	88	11	105	102	102	-4	-4
204	293	WindO	2.40	55	10	58	441	437	437	437	-1	-1
162	33	West	.10	7	38	916	132	128	132	132	+ 4	+ 4
53	34	WernerJ				32	5%	5%	51	51		
254	16	WestEP	\$1.94	84	8	303	284	282	27	27		
61	61	West	\$16.90	11		250	805	804	802	802		
221	193	WestPL	2.32	94	6	32	244	241	241	241	+ 1	+ 1
182	182	WestPS	2.12	92	8	58	23	22	23	23		

Continued from Page 25

Every Friday, the international edition of the Financial Times publishes a comprehensive guide to all major artistic functions in Europe and North America.

The latest productions in the visual and performing arts are listed while Financial Times critics offer topical reviews of the most recent film premieres in London.

The guide also appears in extended form daily with particular emphasis on music (Monday), opera and ballet (Tuesday), theatre (Wednesday) and exhibitions (Thursday).



International Guide to the Arts

to the Arts

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COMMODITIES AND AGRICULTURE

Copper reaches 34-month high despite continued rise in stocks

BY RICHARD MOONEY

THE WEAKNESS of sterling and strength of gold continued to be the dominant influences on the London Metal Exchange yesterday and a 17th successive weekly rise in LME copper stocks could not prevent prices rising to the highest level for 34 months.

Cash high grade copper ended the day £15 up at \$1,063.75 a tonne. But dealers attributed the rise almost entirely to speculative buying in the face of basically "bearish" fundamental factors.

In particular, they noted that the relatively poor level of physical demand was again reflected in additions to LME warehouse stocks.

These rose 7,900 tonnes last

week to 279,500 tonnes, the highest level since March 1979.

Other base metals followed the trend with cash lead gaining \$3.75 to \$307.25 a tonne and cash zinc rising \$3.50 to \$453 a tonne. Dealers thought the relatively sluggish response of the lead market to rises in other metals was due to the continuing rise in LME stocks.

Last week these went up another 2,200 tonnes to an annual peak of 133,300 tonnes. In contrast the zinc price rise was encouraged by a 675 tonnes stocks fall to 61,675 tonnes.

Aluminium stocks were down 725 tonnes to 262,375 tonnes while nickel stocks fell 96 tonnes to 7,764 tonnes. Silver stocks were up 150,000 troy

ounces at 36,111.

LME tin stocks were also up by 1,000 tonnes to 34,45 tonnes—but the cash price gained another £70 to \$2,160 a tonne. Dealers put this down to short-covering induced by the weakness of sterling against the dollar and recent heavy support buying on the International Tin Council.

This buying is believed to have been aimed at narrowing the excessive gap between London and Penang tin prices.

Renter adds: World tin consumption each quarter is running some 2,000 to 3,000 tonnes above current export quotas permitted by the International Tin Council (ITC).

Saudis to participate in Unctad fund

By Michael Strauss

SAUDI ARABIA has decided to take part in the multi-billion-dollar common fund for commodities. Unctad is intensifying its efforts to launch the fund and officials have indicated that routine visits to national capitals will be stepped up in an effort to secure government approvals for the delayed programme.

The FT spot oil price service has been extended to include daily quotes on North Sea Brent crude. The price is being assessed in the way as other rates quoted under London Oil Spot Prices. Quotations are for free-on-board cargoes, reflecting where possible deals done rather than market expectations.

● DEVELOPING countries will lose an estimated \$60 billion (\$39.4bn) in commodity export earnings over the period 1981-1985, according to an Unctad report.

● INDIA plans to export 650,000 tons of sugar in 1983 to take advantage of rising prices. This will enable India to become a major sugar supplier again.

● ALCAN is to raise the prices of plate, slate and forging slab products for commercial and defence use. Prices rise by 5 per cent for deliveries after April 15 and thereafter by a further 5 per cent.

● GUYANA Enterprise, which runs the country's bauxite industry, should seek outside help to improve its management, says the World Bank.

● THE FT and the International Wheat Council will sponsor a conference on the outlook for World Grains. It will be held in London on March 22-23.

Falklands crisis torpedoes Argentine corned beef

BY A CORRESPONDENT

ARGENTINE corned beef sales in Britain are suffering as an after-effect of the Falklands conflict.

Argentina's share of the British corned beef market stood at about £23m in the early '80s. It came to an abrupt end during the Falklands conflict when Britain imposed a trade ban. Even if the ban were now lifted, the market would stand little

chance of recovery, and in any case, trade could not be resumed until Britain restored a full health inspectorate in Argentina.

The Safeway supermarket chain reported that sales were depressed during the war. "We took all Argentine corned beef off our shelves."

But as early as December, 1981—long before the Falklands crisis—Marks and

Spencer took its final delivery of Argentine corned beef, having concluded that the Brazilian product was better.

Safeway, Safeways and other supermarket chains now offer a choice of brands, primarily from Brazil, Europe and Africa, while Marks and Spencer sells only Brazilian.

Overall, during the last two years there has been a marked trend toward Brazilian brands.

These have increased their share in the market from 11% in 1980 to 25% in 1982. African and European suppliers have also increased their share, though Brazil easily leads the field in Britain. This new trading pattern is consolidating and market factors are firmly combining with a strong patriotic preference for non-Argentine brands.

Torrential rain damages Cuban tobacco crops

HAVANA—Torrential rains have dashed Cuban hopes of a bumper tobacco crop. The Cuban Ministry of Agriculture was expecting a record crop for the Vuelta Abajo tobacco growing region of Western Cuba but rainfall so far this month has been almost four times higher than average.

Despite emergency measures involving thousands of volunteers working in the north of the country, where some 60 per cent of the beans have already been harvested.

"Normally, around 5 per cent of the total crop will mature before it can be picked," said Mr Brullaga.

"This year about 10 per cent will fall from the trees and be lost because of the labour shortage."

Attacks by right-wing guerrilla units had partially disrupted the harvest, especially in the border region close to Honduras.

He said that the agrarian reform had also reduced the seasonal labour supply, as many peasant farmers were now putting more effort into basic grain production in response to increased credit availability and price subsidies to producers.

The Ministry of Agriculture announced last month a 20 per cent increase in the producer coffee price to \$1.19 a lb. Encafe is the sole buying agency for coffee in Nicaragua.

Mr Brullaga said that Nicaragua aims to export 1,200,000 quintales this year, of which will be to non-traditional markets outside the International Coffee Agreement.

Nicaragua is to export 4.5 million kg of bananas this year through the U.S. company Pandal Brothers. Its contract with the Nicaraguan Foreign Trade Ministry will mean some \$26m (£12.95m) worth of Nicaraguan bananas will be marketed in California in 1983.

Standard Fruit, which formerly marketed all of Nicaragua's banana exports, pulled out of the country at the beginning of November last year, saying that low international prices and high production costs were making the operation unprofitable.

It broke a five-year marketing contract with the Government and effectively wrote-off \$2m owed to it in compensation for the nationalisation of most of its Nicaraguan operations in 1980.

Agencies

Marlow to head Food from Britain

BY TIM COONE IN NICARAGUA

NICARAGUA is heading for a bumper coffee crop this year, according to Mr Jose Buitrago, the head of the state coffee board, Encafe. The total harvest is expected to reach 1,400,000 quintales (64,000 tonnes) and would be greater but for the shortage of pickers he said.

Thousands of volunteers are helping to bring in the crop in the north of the country, where some 60 per cent of the beans have already been harvested.

"Normally, around 5 per cent of the total crop will mature before it can be picked," said Mr Brullaga.

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Agencies

Rubber

The London physical market opened about unchanged, stand on carriers about 100m, up 10m. Latex and Peat reported a February job price for No 1 RSS in Kuala Lumpur of 190.00 (same) cents a kg and SMR 20 171.5 (171.0).

SILVER

LME—Turnover 64 (334) lots of 1,000 oz. morning, 100 (500) lots of 1,000 oz. afternoon. Three months 26.0, 27.0, 27.5, 28.0, 27.0. Kerb: Three months 26.5, 30.0. Afternoon: three months 31.0, 33.0. Kerb: three months 32.0, 21.0, 32.0.

BULLION

London Bullion Market Association: No 1: 597-601 (595-596) —

No 2: 608-607 (608-608) —

No 3: 619-621 (620-622) —

No 4: 632-634 (632-634) —

No 5: 643-645 (643-645) —

No 6: 654-656 (654-656) —

No 7: 667-671 (670-701) —

No 8: 678-682 (678-700) —

No 9: 693-697 (693-700) —

No 10: 708-712 (708-715) —

No 11: 723-727 (723-730) —

No 12: 738-742 (738-745) —

No 13: 753-757 (753-760) —

No 14: 768-772 (768-775) —

No 15: 783-787 (783-790) —

No 16: 798-801 (798-804) —

No 17: 813-816 (813-819) —

No 18: 827-830 (827-833) —

No 19: 842-845 (842-848) —

No 20: 857-860 (857-863) —

No 21: 872-875 (872-878) —

No 22: 887-890 (887-893) —

No 23: 902-905 (902-908) —

No 24: 917-920 (917-923) —

No 25: 932-935 (932-938) —

No 26: 947-950 (947-953) —

No 27: 962-965 (962-968) —

No 28: 977-980 (977-983) —

No 29: 992-995 (992-998) —

No 30: 1007-1010 (1007-1013) —

No 31: 1022-1025 (1022-1028) —

No 32: 1037-1040 (1037-1043) —

No 33: 1052-1055 (1052-1058) —

No 34: 1067-1070 (1067-1073) —

No 35: 1082-1085 (1082-1088) —

No 36: 1107-1110 (1107-1113) —

No 37: 1122-1125 (1122-1128) —

No 38: 1137-1140 (1137-1143) —

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No 48: 1302-1305 (1302-1308) —

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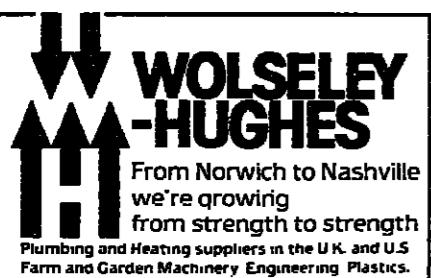
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No 53: 1377-1380 (1377-1383) —

No 54: 1392-1395 (1392-1398) —

No 55: 1407-1410 (1407-1413) —

No 56: 1422-1425 (1422-1428) —



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1982/83 High Low Stock Price E Yld Yield Int. / Red.

"Shorts" (Lives up to Five Years)

1982/83 High Low Stock Price E Yld Yield Int. / Red.

Treasury 12c 1983-88 100% 11.99 11.25

Treasury 10c 1983-88 100% 11.99 11.25

Treasury 8c 1983-88 100% 11.99 11.25

Evac. 10c 1983-88 99% 11.08 10.71

Funding 8c 1983-88 100% 11.08 10.71

Treasury 6c 1983-88 100% 11.08 10.71

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CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Pound at closing low against firm dollar

A firming of Eurodollar interest rates and nervousness over the contents of the Budget speech made the dollar very firm in subdued European trading yesterday. Squaring of positions at the month end kept the market quiet, with the U.S. currency steadily gaining ground to finish around its highest levels of the day.

Indications that Opec is prepared to defend a price level of \$30 a barrel calmed some of the speculators about downward spiraling oil prices and helped to support the pound against Continental currencies and the yen, but failed to prevent sterling falling to a record closing low of \$1.52 against the strong dollar.

DOLLAR — Trade-weighted index (Bank of England) 121.0 against 120.5 six months ago. The dollar has returned to favour as hopes of an early cut in the discount rate recede. The prospect of large fund raising by the authorities has led to lower rates for bonds while fundamentals such as trade and budget deficits have been ignored as a bear factor.

The dollar rose to DM 2.4860 from DM 2.4310 against the D-mark; to FFr 8.9950 from FFr

6.8925 against the French franc; to SwFr 2.0135 from SwFr 1.9873 yesterday. The rate of the Swiss franc, and to Yen 236.25 against the Japanese yen.

STERLING — Trading range against the dollar in 1982-83 is 1.5120-1.5200. Trade-weighted average 1.6172. Trade-weighted index 80.9 against \$1.0 at noon, 81.2 at the opening, 80.9 at the previous close, and 91.5 six months ago.

Sterling's trading range against the dollar in 1982-83 is 2.5940-2.6210. December average 2.4225. Trade-weighted index 127.4 against 125.6 six months ago. The D-mark has shown a weaker tendency recently in the run up to a May general election. But as the possibility of a discount rate cut before the election recedes, so the D-mark has shown signs of steady, helped by favourable

trade figures.

Trading was quiet in Frankfurt yesterday. The dollar was fixed higher at DM 2.4475 compared with DM 2.4388 helped by a small rise in Euro-dollar rates. However, there was little change in the absence of any fresh news. Sterling was hardly changed at DM 3.7450 against DM 3.7470 while the Dutch guilder slipped to DM 9.100 per F1 100 from F1 10.020. The Belgian franc was slightly higher at DM 5.9500 from DM 5.1050, or FFr 100 and the French franc was marginally firmer at DM 35.295 from FFr 100 from DM 35.285.

JAPANESE YEN — Trading range against the dollar in 1982-83 is 90.20-92.70. December average 92.42. Trade-weighted index 143.8 against 131.5 six months ago. The yen has improved against the dollar on the attraction of Japanese capital and equity markets. High foreign interest rates had previously been to an outflow of

funds. The yen has crept something of a vicious circle with gilts marked lower as sterling fell on the one hand while foreign sales of gilts pushed sterling lower on the other. The yen has improved in line with the cash market to a low of 97.23 before reverting marginally on short covering to finish at 97.31 compared with Friday's close of 98.24.

Short sterling performed in a

similar manner, opening at \$8.88 for March delivery and falling to a low of \$8.74 before recovering to finish at \$8.76 compared with \$8.91 at the previous close. Sterling issues were mixed with gilts closing lower than the market and Euro-dollar prices were also marked down as cash prices showed a firmer trend. Dealers noted a growing perception that recovery in the U.S. may not be far away, as has already been seen, with a consequential easing in the downward pressure on U.S. rates. The March Euro-dollar contract closed at \$0.57 against Friday's close of 90.56 and fell to a low of 90.41, finishing at 90.42.

On a slightly brighter note in the short sterling sector, dealers noted a widening spread on the March/June contract prices, reflecting improved hopes that UK interest rates may be set for a fall in months to come.

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

ECU EUROPEAN CURRENCY UNIT RATES

	ECU central	Currency amounts against ECU	% change from central exchange	% change from previous	Difference limit %
Dutch Franc ...	54.6764	44.4262	+1.05	+1.35	+1.6501
Danish Krone ...	8.22400	8.09681	-2.00	-0.70	+1.6501
German D-Mark ...	2.33797	2.29682	-1.60	-0.30	+1.0888
French Franc ...	6.61289	6.61553	-0.10	-0.05	+0.5000
Swiss Franc ...	0.57571	0.57523	-0.12	-0.02	+1.5004
Irish Punt ...	0.691071	0.691973	-0.12	+1.18	+1.6501
Italian Lira ...	1360.27	1318.85	-2.26	-1.54	+4.1369

Based on trade weighted changes from Washington agreement December 1971. Bank of England Index (base average 1975-1980).

*Selling rates.

OTHER CURRENCIES

Jan. 31	£	\$	€	Note Rates
Argentina Peso ...	89.240	82.280	55.740	55.790
Australian Dollar ...	1.5789	1.5785	1.5785	1.5785
Belgian Franc ...	2.3155	2.3275	5.4130	5.4140
Finland Markka ...	10.57	10.67	—	—
Greek Drachma ...	137.168	138.391	63.90	64.24
Hong Kong Dollar ...	7.210	7.200	0.6660	0.6660
Iceland Króna ...	125.70	125.70	—	—
Kuwaiti Dinar ...	0.443	0.444	0.2911	0.2912
Luxembourg F Fr ...	7.510	7.520	2.2775	2.2775
New Zealand Dlr ...	2.1195	2.1235	1.5930	1.5950
Saudi Arab. Riyal ...	6.3400	6.3500	3.6500	3.6500
U.S.A. Dollar ...	1.5825	1.5835	1.0745	1.0745
U.S.D. African ...	0.5925	0.5900	0.3675	0.3675

Based on trade weighted changes from Washington agreement December 1971. Bank of England Index (base average 1975-1980).

*CS/SDR rate for Jan 26: 1.34498.

**Selling rates.

THE POUND SPOT AND FORWARD

Jan 31	Day's spread	Close	One month	%	Three months	%	p.s.
U.S. 1.5180-1.5180	1.5185-1.5205	0.28-0.23c pm	2.01	0.84-0.79	pm 2.14		
Canada 1.5789-1.5785	1.5785-1.5805*	0.25-0.15c pm	1.28	0.60-0.50	pm 1.17		
Austria ...	2.6200	2.6200	—	0.50	0.50	—	
Belgium ...	73.00-73.50	73.10-73.20	—	1.85	1.85	—	
Denmark ...	13.12-13.20	13.13-13.14	7.00-7.00	22-23	22-23	6.87	
Ireland 1.2110-1.2110	1.2125-1.2125	0.53-0.53	0.53	0.53-0.53	0.53	0.53	
Portugal 140.05-145.05	141.25-145.25	355-1120c pm	82.64	160-160c pm	34.08	34.08	
Spain 197.00-199.00	197.30-197.50	7.00-7.00	5.33	300-305c pm	2.00	2.00	
Italy 2.4242-2.4243	2.4242-2.4244	14-Biuro	1.40	0.55-0.60	pm 1.07		
France 10.50-10.65	10.62-10.63	4.50-4.50	4.50	5.23-5.23	pm 4.22		
Sweden 11.36-11.44	11.36-11.37	1.74-1.74	1.74	1.85-2.2-2.4	0.57	0.57	
Japan 388.30-390.30	388.30-390.30	11.80-11.80	11.80	3.82-3.82	pm 3.82	3.82	
Austria 2.25-2.25	2.25-2.25	1.15-1.15	1.15	0.85-0.85	pm 0.85	0.85	
Switzerland 3.05-3.05	3.05-3.05	2.15-2.15	2.15	0.50-0.50	pm 0.50	0.50	

Belgian rate is for convertible francs. Financial franc 75.50-75.60.

Six-month forward dollar 1.30-1.35c pm. 12-month 1.20-1.25c pm.

* The closing rate on January 26 should have read 1.8975-1.8985.

EXCHANGE CROSS RATES

Jan. 31	Pound Sterling	U.S. Dollar	Deutsche Mark	Japanese Yen	French Franc	Swiss Franc	Dutch Guilder	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1	1.520	3.750	365.0	10.68	5.068	4.120	2144	1.880	75.18
U.S. Dollar	0.658	1	2.467	240.1	6.998	3.018	2.711	1410	1.227	49.18
Deutsche Mark	0.267	0.405	1	97.35	2.825	0.917	1.020	571.6	0.501	19.51
Japanese Yen	2.740	4.164	10.27	1000	3.690	11.29	5.678	5.151	800.4	—
French Franc	0.941	1.430	5.528	545.4	10	5.876	2015	1.769	66.81	23.89
Swiss Franc	0.587	0.498	1.224	119.8	5.471	1	1.345	699.9	0.614	23.89
Dutch Guilder	0.843	0.869	0.910	68.50	5.680	1	580.5	580.5	17.75	—
Italian Lira 1,000	0.667	0.709	1.749	170.2	4.966	1.429	1.922	1000	0.677	24.13
Canadian Dollar	0.538	0.602	1.696	184.1	5.684	1.629	2.191	1140	1	28.91
Belgian Franc 100	1.367	1.367	2.078	51.128	4.167	5.117	5.632	2350	2.670	100

Based on trade weighted changes from Washington agreement December 1971. Bank of England Index (base average 1975-1980).

*CS/SDR rate for Jan 26: 1.34498.

**Selling rates.

MONEY MARKETS

Rates edging firmer

UK clearing bank base lending rate 11 per cent (since January 12 and 13)

Interest rates showed a nervous upward trend in late London money market trading yesterday. This reflected sterling's weakness against the dollar. Fixed period rates were little changed for most of the day, but rose by about 1/2 per cent towards the close despite the pound's steady performance against major currencies. In the interbank market overnight loans were 11-11 1/2 per cent for the most part, but fell to a low of 10 per cent when the Bank